



our purpose

We create a  
welcoming space for  
effective personalised  
digital mental  
healthcare, available  
to all.

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# Placing and Admission to AIM

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**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the contents of this document or the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised under the FSMA if you are resident in the United Kingdom or, if not, from another appropriately authorised independent adviser.

This document, which comprises an AIM admission document drawn up in accordance with the AIM Rules for Companies, has been issued in connection with an application for admission to trading on AIM of the entire share capital, issued and to be issued pursuant to the Placing, of Kooth plc. This document does not constitute an offer or any part of any offer of transferable securities to the public within the meaning of section 102B of the FSMA or otherwise. Accordingly, this document does not constitute a prospectus for the purposes of section 85 of the FSMA or otherwise, and has not been drawn up in accordance with the Prospectus Regulation Rules or filed with or approved by the FCA or any other competent authority.

**Application has been made for the Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that trading in the Shares will commence on 2 September 2020.**

**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.**

The Company and the Directors, whose names appear on page 9 of this document, accept responsibility for the information contained in this document and for compliance with AIM Rules for Companies. To the best of the knowledge of the Company and the Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

**The whole of this document should be read. Your attention is drawn in particular to Part II of this document entitled “Risk Factors”, which describes certain risks associated with an investment in Kooth plc.**

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## **Kooth plc**

*(incorporated and registered in England and Wales under the Companies Act 2006  
with registered number 12526594)*

**Placing of 8,000,000 New Shares and 5,000,000 Sale Shares at 200 pence per Share**

**and**

**Admission of the Enlarged Share Capital to trading on AIM**

## **Panmure Gordon**

AND COMPANY

***Nominated Adviser and Sole Broker***

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The Placing is conditional, inter alia, on Admission taking place by 8.00 a.m. on 2 September 2020 (or such later date as the Company and Panmure Gordon may agree, being not later than

16 September 2020). The Selling Shareholder is offering 5,000,000 Sale Shares in aggregate for sale under the Placing and the Company is offering up to 8,000,000 New Shares for subscription under the Placing. All of the Shares, including the New Shares, will, on Admission, rank equally in all respects, including the right to receive all dividends or other distributions declared, made or paid on the Shares after Admission.

Panmure Gordon (UK) Limited ("**Panmure Gordon**"), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively for the Company as Nominated Adviser and Broker in connection with the Placing and Admission, and will not be responsible to any other person for providing the protections afforded to customers of Panmure Gordon or advising any other person in connection with the Placing and Admission. Panmure Gordon's responsibilities as the Company's Nominated Adviser under the AIM Rules for Companies and the AIM Rules for Nominated Advisers will be owed solely to the London Stock Exchange and not to the Company, the Directors or to any other person in respect of such person's decision to subscribe for or acquire Shares in reliance on any part of this document. Apart from the responsibilities and liabilities, if any, which may be imposed on Panmure Gordon by the FSMA or the regulatory regime established under it, Panmure Gordon does not accept any responsibility whatsoever for the contents of this document, and no representation or warranty, express or implied, is made by Panmure Gordon with respect to the accuracy or completeness of this document or any part of it and no responsibility or liability whatsoever is accepted by Panmure Gordon for the accuracy of any information or opinions contained in this document or for the omission of any material information from this document, for which the Company and the Directors are solely responsible.

This document does not constitute an offer to sell, or the solicitation of an offer to buy or subscribe for, securities in any jurisdiction in which such offer or solicitation is unlawful and, in particular, is not for publication or distribution in or into the United States, Canada, Australia, New Zealand, South Africa or Japan. The Shares have not been and will not be registered under the US Securities Act nor under the applicable securities laws of any States of the United States or any province or territory of Canada, Australia, New Zealand, South Africa or Japan, nor in any country or territory where to do so may contravene local securities laws or regulations. Accordingly, the Shares may not be offered or sold directly or indirectly in or into or from the United States, Canada, Australia, New Zealand, South Africa, Japan or to any resident of the United States, Canada, Australia, New Zealand, South Africa or Japan. The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdictions. The Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission or any other regulatory authority in the United States, nor have any of the foregoing authorities passed upon or endorsed the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

Holding Shares may have implications for overseas shareholders under the laws of the relevant overseas jurisdictions. Overseas investors should inform themselves about and observe any applicable legal requirements. It is the responsibility of overseas shareholders to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction.

Copies of this document will be available free of charge during normal business hours on any day (except Saturdays, Sundays and public holidays) at the registered office of the Company and the offices of Squire Patton Boggs (UK) LLP, 7 Devonshire Square, London EC2M 4YH for one month from the date of this document. This document is also available on the Company's website, [www.koothplc.com](http://www.koothplc.com).

Dated: 26 August 2020

## IMPORTANT INFORMATION

This document should be read in its entirety before making any decision to subscribe for or purchase 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, Panmure Gordon or any of their respective affiliates, officers, directors, employees or agents. Without prejudice to the Company's obligations under the AIM Rules for Companies, neither the delivery of this document nor any subscription made under this document shall, under any circumstances, create any implication that there has been no change in the affairs of the Company or the Group since the date of this document or that the information contained herein is correct as at any time subsequent to its date.

Prospective investors in the Company must not treat the contents of this document or any subsequent communications from the Company, Panmure Gordon or any of their respective affiliates, officers, directors, employees or agents as advice relating to legal, taxation, accounting, regulatory, investment or any other matters.

### **Notice to prospective investors in the United Kingdom**

This document is being distributed in the United Kingdom where it is directed only at, (i) persons having professional experience in matters relating to investments i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO"); (ii) high net worth entities falling within Article 49 of the FPO; and (iii) persons to whom it is otherwise lawful to distribute it without any obligation to issue a prospectus approved by competent regulators. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of person and in any event, under no circumstances should persons of any other description rely on or act upon the contents of this document.

### **Notice to prospective investors in the EEA**

In relation to each member state of the EEA other than the United Kingdom (each, a "**Member State**"), no Shares have been offered or will be offered pursuant to the Placing to the public in that Member State prior to the publication of a prospectus in relation to the Shares which has been approved by the competent authority in that Member State, or in accordance with the Prospectus Regulation, except that offers of Shares to the public may be made at any time under the following exemptions under the Prospectus Regulation:

- (1) to any legal entity which is a qualified investor as defined in Article 2(e) of the Prospectus Regulation;
- (2) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) in such Member State; or
- (3) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation and each person who initially acquires any Shares or to whom any offer is made under the Placing will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of Article 2(e) of the Prospectus Regulation.

For the purposes of this provision, the expression “an offer to the public” in relation to any offer of Shares in any Member State means a communication in any form and by any means presenting sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase or subscribe for those Shares.

### **Restrictions on sales in the United States**

The Shares have not been and will not be registered under the US Securities Act, or with any securities regulatory authority of any state or other jurisdiction of the United States and, subject to certain exceptions, may not be offered or sold within the United States. The Shares are being sold outside of the United States in offshore transactions in reliance on Regulation S.

### **Forward-looking statements**

Certain statements in this document are or may constitute “forward-looking statements”, including statements about current beliefs and expectations of the Directors. In particular, the words “expect”, “anticipate”, “estimate”, “may”, “should”, “could”, “would”, “plan”, “project”, “aim”, “intend”, “will”, “believe” and similar expressions (or in each case their negative and other variations or comparable terminology) can be used to identify forward looking-statements. Such forward-looking statements are based on the Board’s expectations of external conditions and events, current business strategy, plans and the other objectives of management for future operations, the environment in which the Group will operate in the future and estimates and projections of the Group’s financial performance. Though the Board believes these expectations to be reasonable at the date of this document, they may prove to be erroneous. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, achievements and performance of the Group, or the industry in which the Group operates, to be materially different from any future results, achievements or performance expressed or implied by such forward-looking statements.

Any forward-looking statement in this document speaks only as of the date it is made. Save as required by law or the AIM Rules for Companies, the Company undertakes no obligation to publicly release the results of any revisions to any forward-looking statements in this document that may occur due to any change in the Board’s expectations or to reflect events or circumstances after the date of this document.

Any forward-looking statement in this document based on past or current trends and/or activities of the Group should not be taken as a representation or assurance that such trends or activities will continue in the future. No statement in this document is intended to be a profit forecast or to imply that the earnings of the Group for the current year or future years will match or exceed the historical or published earnings of the Group.

### **Presentation of historical financial information**

The consolidated historical financial information of Xenzone Group for the three years ended 31 December 2019 set out in Part III of this document has been prepared in accordance with IFRS.

Xenzone Group has historically reported under UK Generally Accepted Accounting Practices (“**UK GAAP**”) and has reported under IFRS for the first time for the purpose of presentation in this document. An explanation of the changes to the Historical Financial Information on transition from UK GAAP to IFRS is presented in note 28 of the Historical Financial Information.

Certain non-statutory financial measures such as EBITDA (operating profit before interest, tax, depreciation, amortisation, exceptional costs and gain on disposal of subsidiary), Adjusted EBITDA (operating profit before interest, tax, depreciation, amortisation, exceptional costs, gain on disposal of subsidiary and monitoring fees) and annual recurring revenue (being the annualised value of the financial quarter ended June 2020 less any one-off revenues generated in this period) have been included in this document as the Directors believe that these present important alternative

measures with which to assess the Group's performance. These measures should not be considered as an alternative to revenue and operating profit, which are IFRS measures, or other measures of performance under IFRS. In addition, the Company's calculation of EBITDA, Adjusted EBITDA and annual recurring revenue may be different from the calculation used by other companies and therefore comparability may be limited.

### **Rounding**

The financial information and certain other figures in this document have been subject to rounding adjustments. Therefore, the sum of numbers in a table (or otherwise) may not conform exactly to the total figure given for that table. In addition, certain percentages presented in this document reflect calculations based on 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 on the rounded numbers.

### **Market, industry and economic data**

Unless the source is otherwise identified, the market, economic and industry data and statistics in this document constitute the Company's estimates, using underlying data from third parties. The Company obtained market and economic data and certain industry statistics from internal reports, as well as from third-party sources as described in the footnotes to such information. The Company confirms that all third-party information set out in this document has been accurately reproduced and that, so far as the Company is aware and has been able to ascertain from information published by the relevant third-party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third-party information has been used in this document, the source of such information has been identified. Such third-party information has not been audited or independently verified.

This document includes market share, industry and forecasts that the Company has obtained from industry publications, surveys and internal company sources. As noted in this document, the Company has obtained market and industry data relating to the Group's business from providers of industry data, including publications and data from the following reports:

"Mental health and employers: Refreshing the case for investment" Deloitte January 2020

"Thriving at work: The Stevenson/Farmer review of mental health and employers" Paul Farmer and Dennis Stevenson October 2017

"NHS Long Term Plan" NHS January 2019

Market and industry data is inherently predictive and speculative, and is not necessarily reflective of actual market conditions. Statistics in such data are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market. The value of comparisons of statistics for different markets is limited by many factors, including that: (i) the markets are defined differently; (ii) the underlying information was gathered by different methods; and (iii) different assumptions were applied in compiling the data. Consequently, the industry publications and other reports referred to above generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed and, in some instances, these reports and publications state expressly that they do not assume liability for such information. Specifically, none of Deloitte Touche Tohmatsu Limited, Paul Farmer or Dennis Stevenson or the United Kingdom National Health Service have authorised the contents of, or any part of, this document and accordingly no liability whatsoever is accepted by Deloitte Touche Tohmatsu Limited, Paul Farmer or Dennis Stevenson or the United Kingdom National Health Service for the accuracy or completeness of any market data attributed to them which is included in this document.

### **No incorporation of website information**

The contents of the Company's website, any website mentioned in this document or any website directly or indirectly linked to these websites have not been verified and do not form part of this document, and prospective investors should not rely on such information.

### **Notice to Distributors**

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the Product Governance Requirements) may otherwise have with respect thereto, the Shares have been subject to a product approval process, which has determined that the Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**").

Notwithstanding the Target Market Assessment, distributors should note that: the price of the Shares may decline and investors could lose all or part of their investment; the Shares offer no guaranteed income and no capital protection; and an investment in the Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Placing. Furthermore, it is noted that, notwithstanding the Target Market Assessment, Panmure Gordon will only procure investors who meet the criteria of professional clients and eligible counterparties. For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Shares and determining appropriate distribution channels.



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## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	26 August 2020
Admission becomes effective and dealings in the Shares commence on AIM	8.00 a.m. on 2 September 2020
CREST accounts credited (where applicable)	8.00 a.m. on 2 September 2020
Despatch of definitive share certificates (where applicable)	by 9 September 2020

*Each of the times and dates in the above timetable is indicative only and subject to change without further notice. All times are London, U.K. times unless otherwise stated.*

## PLACING STATISTICS

Placing Price (per Placing Share)	200p
Number of Existing Shares	25,055,776
Number of Shares in the Placing:	
– to be issued by the Company (the New Shares)	8,000,000
– to be sold by the Selling Shareholder (the Sale Shares)	5,000,000
New Shares as a percentage of the Enlarged Share Capital	24.2 per cent.
Number of Shares in issue following the Placing and Admission	33,055,776
Market capitalisation of the Company at the Placing Price following Admission <sup>(1)</sup>	£66.1 million
Estimated net proceeds of the Placing receivable by the Company <sup>(2)</sup>	£14.5 million
Gross proceeds of the Placing receivable by the Company <sup>(2)</sup>	£16 million
Estimated net proceeds of the Placing receivable by the Selling Shareholder <sup>(3)</sup>	£9.6 million
AIM ticker	KOO
ISIN	GB00BMCZLK30
LEI	2138001YLGO1L8UYOM90
SEDOL	BMCZLK3

### Notes:

- (1) The market capitalisation of the Company at any given time will depend on the market price of the Shares at that time. There can be no assurance that the market price of a Share will equal or exceed the Placing Price.
- (2) After deduction of estimated fees and expenses payable by the Company of approximately £1.5 million.
- (3) After deduction of estimated commissions, fees and expenses payable by the Selling Shareholder of approximately £0.4 million.

## COMPANY OFFICERS, REGISTERED OFFICE AND ADVISERS

<b>Directors</b>	Peter Whiting ( <i>Independent Non-Executive Chair</i> ) Tim Barker ( <i>Chief Executive Officer</i> ) Sanjay Jawa ( <i>Chief Financial Officer</i> ) Dame Sue Bailey ( <i>Independent Non-Executive Director</i> ) Simon Philips ( <i>Non-Executive Director</i> )
<b>Company secretary</b>	Richard Almond
<b>Registered office</b>	The Epworth 25 City Road London EC1Y 1AA
<b>Website</b>	<a href="http://www.koothplc.com">www.koothplc.com</a>
<b>Nominated Adviser and Sole Broker</b>	Panmure Gordon (UK) Limited One New Change London EC4M 9AF
<b>Reporting Accountants and Auditors</b>	Grant Thornton UK LLP 30 Finsbury Square London EC2A 1AG
<b>Legal advisers to the Company</b>	Squire Patton Boggs (UK) LLP 7 Devonshire Square London EC2M 4YH
<b>Legal advisers to the Nominated Adviser and the Broker</b>	K&L Gates LLP One New Change London EC4M 9AF
<b>Registrars</b>	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA
<b>PR advisers to the Company</b>	FTI Consulting LLP 200 Aldersgate Aldersgate Street London EC1A 4HD

## DEFINITIONS

<b>Admission</b>	the admission of the Shares, issued and to be issued pursuant to the Placing, to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules for Companies
<b>AIM</b>	the AIM market of the London Stock Exchange
<b>AIM Rules for Companies</b>	the AIM Rules for Companies published by the London Stock Exchange from time to time
<b>AIM Rules for Nominated Advisers</b>	the AIM Rules for Nominated Advisers published by the London Stock Exchange from time to time
<b>Articles</b>	the articles of association of the Company in effect upon Admission, as amended from time to time
<b>BACP</b>	British Association for Counselling and Psychotherapy
<b>Board</b>	the board of directors of the Company
<b>CCG</b>	Clinical Commissioning Group
<b>Companies Act</b>	the Companies Act 2006 (as amended)
<b>Company or Kooth</b>	Kooth plc, a company incorporated and registered in England and Wales with registered number 12526594
<b>CREST</b>	the system of paperless settlement of trades in listed securities and holding of uncertificated securities operated by Euroclear UK & Ireland in accordance with the CREST Regulations
<b>CREST Regulations</b>	the Uncertificated Securities Regulations 2001 (as amended)
<b>Directors</b>	the directors of the Company as at the date of this document, whose names appear on page 9 of this document
<b>EEA</b>	the European Economic Area
<b>Enlarged Share Capital</b>	the issued share capital of the Company immediately following Admission, comprising the Existing Shares and the New Shares
<b>Euroclear UK &amp; Ireland</b>	Euroclear UK & Ireland Limited, the operator of CREST
<b>Executive Directors</b>	the executive Directors of the Company
<b>Existing Shares</b>	the 25,055,776 Shares in issue immediately prior to completion of the Placing
<b>FCA or Financial Conduct Authority</b>	the Financial Conduct Authority of the United Kingdom
<b>FSMA</b>	the Financial Services and Markets Act 2000 (as amended)
<b>Group</b>	the Company and its subsidiaries and subsidiary undertakings (in each case as defined in the Companies Act)

<b>Historical Financial Information</b>	the consolidated historical financial information of Xenzone Group for the three years ended 31 December 2019, as set out in Section B of Part III of this document
<b>IFRS</b>	International Financial Reporting Standards as endorsed by the European Union
<b>ISIN</b>	International Securities Identification Number
<b>Lock-In Senior Managers</b>	Each of Giles Alexander, Annie Meharg, Aaron Sefi, Dr. Lynne Green and Kate Newhouse
<b>London Stock Exchange</b>	the London Stock Exchange plc
<b>Member State</b>	a member state of the EEA
<b>New Shares</b>	the 8,000,000 new Shares to be issued by the Company pursuant to the Placing
<b>NHS</b>	National Health Service
<b>Non-Executive Directors</b>	the non-executive directors of the Company (including the Chair)
<b>Official List</b>	the Official List of the Financial Conduct Authority
<b>Panmure Gordon</b>	Panmure Gordon (UK) Limited, the Company's nominated adviser and sole broker
<b>Placing</b>	the conditional placing of the Placing Shares at the Placing Price pursuant to the Placing Agreement
<b>Placing Agreement</b>	the conditional agreement entered into on or about the date of this document between the Panmure Gordon, Company and the Directors and Root Capital in relation to the Placing and Admission, details of which are set out in paragraph 9 of Part V of this document
<b>Placing Price</b>	200 pence per Placing Share
<b>Placing Shares</b>	the New Shares and the Sale Shares
<b>Prospectus Regulation</b>	Prospectus Regulation (EU) 2017/1129 of the European Parliament and of the Council of the European Union
<b>Prospectus Regulation Rules</b>	the prospectus regulation rules made by the FCA under Part VI of the FSMA (as amended) (Prospectus Regulation Rules Instrument 2019 (FCA 2019/80))
<b>QCA</b>	the Quoted Companies Alliance
<b>QCA Code</b>	the Corporate Governance Code 2018 published by the QCA, as amended or replaced from time to time
<b>Regulation S</b>	Regulation S under the US Securities Act
<b>Root Capital</b>	Root Capital Fund II L.P, acting by its general partner, Root Capital LLP
<b>SaaS</b>	software as a service

<b>Sale Shares</b>	the Shares to be sold by the Selling Shareholder pursuant to the Placing
<b>Selling Shareholder</b>	such person selling Sale Shares at Admission, as set out in paragraph 9 of Part V
<b>Shareholder</b>	a holder of Shares
<b>Shares</b>	ordinary shares of 5 pence each in the capital of the Company
<b>South Africa</b>	the Republic of South Africa
<b>Takeover Code</b>	the UK Takeover Code published by the Takeover Panel
<b>Takeover Panel</b>	the UK Panel on Takeovers and Mergers
<b>Unaudited Interim Financial Information</b>	the unaudited condensed interim financial information of Xenzone Group for the six months ended 30 June 2020 (with comparatives for the six months ended 30 June 2019), as set out in Section C of Part III of this document
<b>US or United States</b>	the United States of America, its territories and possessions, any state of the United States, and the district of Columbia
<b>US Persons</b>	has the meaning given in Regulation S
<b>US Securities Act</b>	the US Securities Act of 1933 (as amended)
<b>Xenzone Group</b>	Xenzone Group Limited, a company limited by shares with company number 09795273 and a subsidiary of Kooth plc together with each of its subsidiary undertakings
<b>£ and p</b>	United Kingdom pounds Sterling and pence respectively

## PART I

### INFORMATION ON THE GROUP

#### 1. Introduction

Mental health has emerged as a defining global challenge of our time. In the UK, one in four adults and one in five children experience a diagnosable mental health problem every year. The World Health Organisation forecasts that by 2030, mental health problems will be the leading cause of mortality and morbidity globally. In recent years, the NHS has recognised the growing need for more investment in mental health services. In 2019/20, the budget on mental health was in the region of £13.06 billion, representing 14.1% of local health spending. Yet despite this increased investment, expenditure on mental health has not kept pace with demand.

Kooth's mission is to provide effective personalised digital mental healthcare available to all. Through Kooth's online platform, individuals can sign up and access a range of mental wellbeing services, from self-help tools, to online one-to-one professional counselling. Kooth sells access to its platform to public and private sector organisations to deliver a 'free at the point of use' service to individuals. Kooth's objective is to provide a welcoming, easy to use service, with no waiting lists, no GP referrals, no access limits, and no cost to the individuals.

Today, with contracts spanning 77 per cent of all NHS Clinical Commissioning Groups across England, Kooth is the UK's largest digital mental health provider to the NHS for children and young people aged 10-25, a position it has established over more than 15 years of working in close partnership with local NHS Commissioners. Kooth is the only UK-wide digital service accredited by the British Association for Counselling and Psychotherapy, the professional association for members of the counselling profession in the UK. More recently, the Company has expanded its products to offer mental health services to adults through the NHS and the public sector, and employers. As at 30 June 2020, the Company had £13.1 million in annual recurring revenue (annualised revenue of customers engaged or closed at that date) and a 3.5-year historic annual recurring revenue CAGR of 40 per cent.

#### 2. History and Background

Kooth was founded in 2001 by Elaine Bousfield, at the time a counsellor working with adolescents and young adults, who wanted to explore how online services could help expand access to services, especially within groups that might not typically seek help as a result of the stigma associated with mental health. In building the Kooth platform, the key tenets of the service were established: accessibility, anonymity, choice, and community. By eliminating obstacles such as the need for referrals, waiting lists and usage thresholds, individuals can access the support they need on their own terms, putting them in control of their journey to mental wellbeing and providing both early intervention and longer-term support. Kooth is also designed to help address those individuals with more complex mental health needs.

Kooth provides a broad range of therapeutic tools and interventions, putting choice and control in the hands of individuals to decide what works best for them. Focused on outcomes for the individual, Kooth's online platform provides:

- Self-help tools and content: self-help activities to support individuals across a range of areas, from managing anxiety to expressing their feelings, together with a wealth of articles and advisory pieces created by the Kooth community and Kooth's clinical content team.
- Community for Peer-to-Peer Support: online moderated forums covering a range of topics, where users can post and get support from others in the Kooth community.
- Professional Counselling: anonymous, online text-chat based professional counselling, where individuals can get ad-hoc or ongoing support. Kooth's practitioners provide over 12,000 hours of counselling every month.

Initially, the platform was focused specifically for the needs of children and young people aged 10 to 25 years. In Q4 2018, the Group launched Qwell Adult (now known as Kooth Adult) for the NHS and public sector, to offer support available to both individuals and to particular groups such as parents and carers, victims of crime, or frontline workers. The service provides both early intervention and ongoing support using the same 'free at point of use' business model. In Q4 2019, Kooth launched Kooth Work, a corporate service, aimed specifically at employers to support the wellbeing of their employees, providing confidential and anonymous access to a wellbeing community, counselling, content and self-help tools. Kooth Work provides valuable, anonymous insights into the wellbeing of the workforce so that employers can identify specific areas of improvement for their wellbeing strategy.

For Kooth, and now Kooth Adult, the Company is appointed by NHS CCGs, Local Authorities, or Charities to provide services to their constituents. Typically an annual subscription is paid based on the initial estimated uptake of the service within the target population. To raise awareness for Kooth and actively promote the services offered, Kooth's integration and participation team works with local stakeholders, such as schools, GP surgeries, and youth clubs, and runs targeted digital marketing and social media campaigns. As individuals sign-up and use the service, Kooth provides reports back to customers into usage, outcomes achieved, and insights into the mental health trends in their population. As usage of the service grows beyond the initial expected uptake, Kooth works with its customers to build the business case to increase spending to serve the growing demand. As the acceptance for a digitally-supported approach to mental health has grown, the Group has seen the uptake in its services accelerate, with 70% of its contracts signed in the last 3 years. As at December 2019, 5.4 million children, young people and adults were able to access Kooth, of whom an average of 1 in 40 people use the platform. In some regions, the usage rate can reach as high as 1 in 8 people.

In 2015, the Group was acquired by Root Capital, a London-based private equity company focused on investing in smaller businesses with high growth potential in the technology and knowledge-based sectors. The growth capital provided by Root Capital in the subsequent years has allowed Kooth to invest in its technology and expand its reach across the UK.

Using the 24 million anonymised data points collected over many years, Kooth's mental health data set provides a valuable source of insight both to improve Kooth's products and services; and to provide customers with insights into trending mental health issues within their constituents helping to inform their overall wellbeing strategy. Given that the standards of evidence for the effectiveness of mental health therapies are traditionally based on face to face counselling, the anonymous data which Kooth holds is also used in collaboration with academia develop new standards of evidence for online services.

As at June 2020, Kooth employed 298 people, 109 of which are professional counsellors who live across the United Kingdom and typically work 20-25 hours a week. At a minimum, counsellors are BACP registered (or equivalent) with 450 hours' post qualification experience. The Company has a 24 person-strong technology, product and engineering team based in London that designs, builds, and optimises the Kooth technology platform, and a 6-strong person data science and research team.

### **3. Key strengths of the Group**

#### ***Integrated approach spanning self-help to professional counselling***

Kooth's strength is in its ability to support an individual's needs through a variety of therapies and tools spanning self-help, peer-support, and professional counselling. This integrated approach, along with Kooth's anonymous service, helps put service users in control to decide what support they want on their own terms. This is reflected in the patterns of usage within the platform, with approximately 60% of service users engaging with content and communities alone, and 40% graduating into ad-hoc or ongoing counselling support.



### ***Proprietary technology***

With over 15 years of experience in providing digital mental health services, Kooth's proprietary platform provides a choice of therapies and tools, built on the foundations of anonymity, security, safeguarding, and measurement/reporting of outcomes.

To support anonymity, no personally identifiable information is required to access Kooth. For security, Kooth complies with the NHS Digital Data Security and Protection standards. Safeguarding practices such as risk assessment questionnaires and risk status measures are embedded in the platform, enabling practitioners to assess and respond to individuals potentially at risk. To measure and report on outcomes, Kooth's goal-based system allows individuals to capture and track their progress to improving their mental wellbeing, with reports delivered both to commissioners and the NHS Mental Health Data Set (MHDS) to provide insights into the impact of Kooth.

Kooth's products are all powered by the same underlying proprietary platform and architecture, enabling Kooth to invest in building new platform services that can be utilised across multiple products.

### ***Highly experienced leadership team***

Kooth's executive team brings extensive experience across clinical, commercial, technological, and operational areas in both mental healthcare and SaaS markets, bringing a blend of skills to deliver transformative digital services for mental healthcare.

The executive team is supported by the Kooth Advisory Board. The Advisory Board comprises some of the UK's leading mental health clinicians, GPs, policy and public health experts and academics and is chaired by Sir Norman Lamb, former MP and UK Health Minister. Sir Norman has been instrumental in changing the landscape of mental health provision in the UK. The board provides strategic advice and support to the Kooth executive team to assist them in the delivery of the organisation's core purpose. Board members offer non-binding strategic advice on where best to allocate focus and resources.

### ***Data advantage***

Kooth's anonymised mental health data set provides a valuable source of insight both to measure and improve Kooth's products and for commissioners to inform their overall wellbeing strategy. For example, in response to COVID-19, Kooth has been able to provide regular insights into trending mental health issues to support local commissioners, plus raise the profile of areas of concern in the media. In addition, Kooth's data science and research team works with a range of academic partners to develop new standards of evidence for online services. By collaborating with the industry, Kooth can design and validate new measures that demonstrate the therapeutic and economic impact of digital mental health services.

## **4. Vision and strategy**

The Company's goal is to use digital technology to make mental health services accessible to all, spanning prevention, early intervention and ongoing care. The Directors believe that given the growing need for mental health support and the benefits of a digital-first approach, there is a potential addressable market in the UK of over £500 million across the Group's three existing services.

The Company aims to utilise artificial intelligence processes to provide a personalised experience for users of the service. This personalisation aims to ensure that the user is provided with the service or content deemed most suitable for them.

The Company intends to continue to grow Kooth for children and young people by working with stakeholders to raise awareness, service demand, and expand existing contracts with commissioners. In addition, as commissioners invest to improve services to support the transition

from paediatric to adult services, Kooth's service can provide support for 18-25 year olds. In addition, there is the potential for future growth through new business from the remaining 31 CCGs in England, plus expansion into Scotland, Wales, and Northern Ireland.

The Directors of the Company believe there is potential to replicate Kooth's success to date in providing services to children and young adults into the NHS adult market. The NHS spends around £11 billion annually on adult mental health services and the Company has identified a potential £300 million addressable market for Kooth Adult. The product was launched in Q4 2018 and is gaining traction. As at 30 June 2020, Kooth Adult had 10 customers contributing £500,000 annual recurring revenue to the Group.

The Directors also believe there is an additional opportunity for the Group in the corporate market. A research report by Deloitte published in January 2020 estimated that mental health-related issues cost UK businesses up to £45 billion annually and that every £1 spent by employers to tackle mental health related issues results in a £5 return on investment. The Directors believe there is a £150 million addressable market in the UK. Kooth Work was launched in Q2 2019 and as at 30 June 2020 was delivering £260,000 annual recurring revenue from its eight customers.

To date, the Company has provided these services entirely within the UK but is in active discussions to offer these services overseas working in partnership with local healthcare providers. Discussions are underway in Canada and South Africa where partners would license the Kooth SaaS platform to operate in their region. In addition, the Directors believe that there is a significant potential to establish Kooth in the United States given Kooth's expertise in supporting children and young people.

## **5. The Group's current business operations**

The Group has been building its approach to digital mental health for over 15 years alongside its service users and NHS commissioners. It also works in partnership with academia to develop new research into the standards of evidence for new online therapies.

Kooth operates a SaaS platform to its customers and as a result has a high percentage of recurring revenue. The Group has experienced minimal churn in its customer base since its incorporation. The majority of the Group's revenue comes from the provision of services to children and young people, accountable for around 90 per cent. of total revenue in the financial year ended 31 December 2019. The Group had around 133,000 unique active users in 2019.

Kooth takes a rigorous approach to keep users safe and well across all of its products. The Group has embedded safeguarding protocols and principles which seek to ensure risks are picked up early and managed appropriately, whether they surface through initial assessments, text-based chat sessions, or through content posted on the platform. An at-risk status and case notes are recorded for each service user after a chat session. An on-call safeguarding team acts as the point of escalation if potential safeguarding concerns are identified by practitioners.

The Company's organisational structure at Admission will be that the Company is the holding company of the Group. Xenzone Limited is the Group's principal trading company. Xenzone Limited in turn holds 100 per cent. of dormant company Xenzone Alliance CIC. Further details of the Company's share capital and its current shareholders are set out at paragraph 2.4 of Part V of this document. The Company also holds 100 per cent of the issued share capital of Xenzone Group Limited.

## **6. Key differentiators and competitive advantages**

Kooth's key differentiators and competitive advantages lie in its three key tenets: accessibility, anonymity and choice:

- Kooth has no barriers to access. There are no waiting lists or referrals. Users can sign up in minutes and start accessing the service immediately. As children and young people may not

have smartphones, or may not have install permission for Apps, Kooth is delivered over a web browser, making it accessible from any pc, smartphone, or tablet.

- There is no cost to the user for accessing Kooth's services and content. Kooth was designed so that counselling would be freely available to users and cost would not be a barrier.
- Kooth is the only nationwide digital service accredited by the BACP, the professional association for members of counselling professions in the UK.
- The Kooth service is anonymous, creating a safe space where individuals feel in control of their mental health journey. Research has shown that anonymity helps the users feel more comfortable and relaxed. In this way, much of the perceived stigma related to seeking formal help is avoided.
- There is no one-size-fits all approach to mental wellbeing. Kooth's integrated approach provides access to a choice of therapies and tools for individuals to explore and find what works best for them.

## **7. Market overview**

Mental health has emerged as a defining global challenge of our time. Research shows 1 in 4 adults and 1 in 5 children in the UK experience a mental illness in any given year.

Untreated mental health problems account for 13 per cent. of the total global burden of disease. It is projected that, by 2030, mental health problems will be the leading cause of mortality and morbidity globally.

In addition to the direct costs associated with mental health illnesses for individuals and their loved ones, the economic cost to businesses is substantial. It is estimated that mental illness costs UK employers up to £45 billion per annum through lost productivity, employee turnover and absenteeism.

In the last few years, the NHS has become increasingly aware of the growing need to invest in mental health services and treatment. In 2019-2020, the NHS budget for mental health totalled around £13.06 billion an increase of 4 per cent. on the previous year. As part of the 2019 NHS Long Term plan, a further £2.3 billion is committed to mental health funding by 2023/24.

Yet despite this increased spending, expenditure on mental health has not kept pace with demand.

The COVID-19 pandemic has also had a marked effect on mental health across the globe. Measures taken by national governments, including social distancing and mandatory working from home, have been viewed as essential in decreasing the rate of the virus spreading. These same measures, however, contribute to a severe negative affect on the population's wellbeing: a lack of social interactions, restricted access to open spaces, confined living conditions with young children and elderly relatives and anxiety associated with working from home, being furloughed or made redundant are all proven to contribute detrimentally to mental wellbeing.

Given the growing demand for mental health services, the Directors believe this is an area where digital platforms can play a significant role in expanding access to mental health support, providing access to high quality professional counselling and self-help tools, delivering early intervention, prevention and ongoing support for individuals with mental health problems.

Within the Company's existing operations, the Directors believe there are the following additional addressable markets in the UK:

- NHS Children and Young People Growth: A potential market opportunity of up to £85 million through continued growth of Kooth for children and young people to serve the growing demand for mental health care services.

- NHS Adult Growth: A potential opportunity of £300 million to expand into NHS CCGs, Local Authorities, and Public Sector organisations to provide support for adults, either as public health services within a region, or focused on specific groups such as new parents, victims of crime, or frontline workers.
- Corporate Expansion: A potential opportunity of in excess of £150 million to expand into the UK corporate market to support employee wellbeing initiatives.
- Additionally, the Group has the potential to expand into international markets. It has opportunities to license the Kooth SaaS platform to country-specific healthcare providers, and to establish a US business to support children and young people through healthcare insurance providers. In the US, one in six youths aged 6-17 experience a mental health disorder each year. In addition, across the whole population, the average delay between the onset of mental illness symptoms and treatment is 11 years.

The Directors believe that Kooth does not have a direct competitor that adopts a similar integrated approach to providing digital mental health services. Whilst there are companies that separately provide wellbeing and mindfulness activities and advice, or early intervention and prevention services, or therapeutics for acute/complex mental health needs; Kooth covers all of these services to provide a platform of choice to deliver individuals a personalised journey to mental wellbeing.

## 8. Directors and Key Management

### 8.1 Board of Directors

The following table lists the names, ages, positions and dates of appointment as a director of the Company for each Director:

<i>Name</i>	<i>Age</i>	<i>Position</i>	<i>Date Appointed</i>
Peter Frederick Whiting	54	Independent Non-Executive Chair	7 August 2020
Timothy John Barker	51	Chief Executive Officer	6 August 2020
Sanjay Jawa	55	Chief Financial Officer	6 August 2020
Dame Susan Mary Bailey	69	Independent Non-Executive Director	7 August 2020
Simon Robert Maury Philips	52	Non-Executive Director	7 August 2020

The business address of all of the Directors is the Company's registered office.

The management expertise and experience of each of the Directors is set out below:

#### **Peter Whiting**, *Independent Non-Executive Chair*

Peter joined Kooth in May 2020 and has over 20 years' experience as an investment analyst, specialising in the software and IT services sector. He joined UBS in 2000, led the UK small and mid-cap research team and was Chief Operating Officer of UBS European Equity Research from 2007 to 2011. Peter is also Senior Independent Director and Chair of the Remuneration Committee of both FDM Group (Holdings) plc and Aptitude Software Group plc, Senior Independent Director and Chair of the Audit Committee of Keystone Law Group plc and Non-Executive Director and Chair of the Remuneration Committee of D4T4 Solutions Plc.

#### **Tim Barker**, *Chief Executive Officer*

Tim joined Kooth in January 2020. As an entrepreneur, he has experience across a range of technology companies. He was previously Chief Executive Officer of DataSift, a social data and AI platform, which was acquired by Meltwater in 2018. Prior to DataSift, Tim spent five years at Salesforce in marketing, strategy, and product leadership roles following its acquisition of his previous business. Before Salesforce, Tim had co-founded various technology-led companies including Koral, an online document management solution

service which was acquired by Salesforce, and Activiti a document management firm that works with financial investment companies.

**Sanjay Jawa, Chief Financial Officer**

Sanjay has held senior finance positions at a combination of public and private equity backed technology and services businesses including QualiTest, YSC Consulting, Barclays Global Investors and FTI Consulting. Prior to joining Kooth in March 2020, Sanjay was Chief Financial Officer and an Operating Partner at Root Capital. As part of his work with Root Capital, Sanjay has been a Director of Digital Theatre, an acquirer and builder of digital education brands and Drum Cussac, a travel risk management specialist. Sanjay originally qualified as a Chartered Accountant and was an audit manager at Price Waterhouse. Sanjay has been a director of the Group since 2018.

**Dame Sue Bailey, Independent Non-Executive Director**

Dame Sue Bailey, OBE, DoS , FRCPsych has over 40 years' experience in the medical field. Qualified as a psychiatrist, an academic who specialises in the field of Children and Young People's mental health; currently a visiting professor at the University of Central Lancashire. A Vice President of the British Association of Counselling and Psychotherapy and Chair of the Centre for Mental Health, she has extensive experience across government, NHS and charitable organisations. In 2013 she was made a Dame for services to mental Health and partnership work with mental health charities.

**Simon Philips, Non-Executive Director.**

Simon is managing partner of Root Capital LLP, general partner of the Root Capital Fund II Limited Partnership, and he is also a limited partner in Root Capital Fund II Limited Partnership. He is an experienced entrepreneur in the software and outsourcing sectors and has considerable expertise in both operational management and deal structuring. Simon is currently Chair of a number of businesses in which Root Capital have invested and is a Non-Executive Director and Chair of the Remuneration Committee of Keystone Law Group plc.

## 8.2 **Key management**

The Directors are supported by an experienced senior management team including the following individuals with responsibility for managing the Group's key divisions and business units.

**Giles Alexander (41) – Chief Product and Technology Officer**

Giles joined the Group in 2018 as CTPO for the company. Before joining the Group, Giles was Chief Technology Officer for Anthemis Group and Head of Technology for ThoughtWorks Retail. Giles was also on the ThoughtWorks Technology Advisory Board and was an advisory CTO for Labrador Limited and Feedr.

**Annie Meharg (39) – Chief Commercial Officer**

Annie joined the Group in 2018 and is responsible for UK and International Sales and Accounts, Marketing and PR. Before joining the Group, Annie was Group Business Development Director at Webhelp, a global consumer experience company and prior to that was Director of Sales and Business Development for Priory Group of Companies. Annie spent 6 years at Serco in Healthcare and Public Sector Services Business Development.

**Aaron Sefi (43) – Chief Research and Insights Officer**

Aaron joined the Group in 2009 as an online counsellor. He has experience in Kooth's services delivery and business development teams, and now leads the Research and Insights team. Aaron is a visiting lecturer at the University of Manchester and is currently undertaking a PhD in clinical research at Exeter University.

**Dr Lynne Green (48) – Chief Clinical Officer**

Lynne joined the Group in 2018. Dr Green is Chief Clinical Officer at Kooth and a Consultant Clinical Psychologist with 20 years' NHS experience. Previous roles include Clinical Lead for CAMHS (Lancashire Care Foundation Trust) and Lead Consultant Psychologist for children's eating disorders and adolescent inpatient services. Prior to joining the Group, she was Clinical Director at schools based charity Place2Be.

**Kate Newhouse (38) – Chief Operating Officer**

Kate joined the Group in 2020, having been Chief Executive Officer of Blenheim Chalcot, a digital venture builder and Chief Executive Officer of Doctor Care Anywhere, a digital healthcare company. Kate won Disruptor of the Year 2016 at First Woman Awards, Innovator of the Year 2017 at Everywoman Women in Technology Awards and in 2019 was named as one of the 100 Most Influential in UK India Relations in the Tech Queen Category. Kate is also a Member of the Secretary of State for Health and Social Care's Health-Tech Advisory Board.

**Alexandra Thompson (38) – Chief People Officer**

Alexandra joined the Group in 2020 and has over ten years' HR experience. Alexandra specialises in coaching, learning and development, performance targets and management.

## 9. Selected historical financial information

The following financial information has been derived from the consolidated historical financial information contained in Part III and should be read in conjunction with the full text of this document. Investors should not rely solely on the summarised information set out below.

	<i>Six months ended</i> <i>30 June</i> <i>2020</i> <i>(Unaudited)</i> £	<i>Year ended</i> <i>31 December</i> <i>2019</i> £	<i>Year ended</i> <i>31 December</i> <i>2018</i> £	<i>Year ended</i> <i>31 December</i> <i>2017</i> £
<b>Continuing operations</b>				
<b>Revenue</b>	<b>5,900,541</b>	<b>8,658,922</b>	<b>6,193,647</b>	<b>4,901,054</b>
<b>Gross profit</b>	<b>3,520,420</b>	<b>4,461,863</b>	<b>3,187,210</b>	<b>2,433,879</b>
<b>Adjusted EBITDA</b>	<b>551,350</b>	<b>351,759</b>	<b>347,223</b>	<b>364,977</b>
<b>Non-GAAP measures</b>				
Profit/(loss) from operations	(697,231)	(901,552)	(65,871)	80,359
Amortisation	613,514	813,550	58,820	47,135
Depreciation	169,289	215,225	82,608	93,149
Exceptional costs	410,617	–	–	–
Gain on disposal of subsidiary	(19,561)	–	–	–
<b>EBITDA</b>	<b>476,628</b>	<b>127,223</b>	<b>75,557</b>	<b>220,643</b>
Monitoring fees	74,722	224,536	271,666	144,334
<b>Adjusted EBITDA</b>	<b>551,350</b>	<b>351,759</b>	<b>347,223</b>	<b>364,977</b>

## **10. Current trading and prospects**

There has been no significant change in the financial performance or the financial position of the Group since 30 June 2020, being the date to which the Unaudited Interim Financial Information in Section C of Part III has been prepared. Trading for the period from 30 June 2020 to the date of this document was consistent with the Board's expectations.

## **11. Reasons for Admission, the Placing and use of Proceeds**

The Company is raising £16 million through the Placing (approximately £14.5 million of net proceeds).

These funds will be used by the Company to:

- (a) fund additional capital expenditure and working capital for the Group (approximately £8.1 million) to drive continued growth through investing in Kooth's proprietary platform, sales, marketing, and market expansion;
- (b) repay certain outstanding loan facilities and reduce Group net leverage by approximately £6.4 million; and
- (c) pay fees, expenses and commissions relating to preparation and execution of the Placing and Admission (approximately £1.5 million).

The Directors also believe that Admission will assist the Group in its development by raising its public profile, widening its shareholder base and will provide the Group with the appropriate capital structure to execute on its vision and growth strategy.

Admission will also provide the Company with the ability to incentivise employees through share incentive schemes such as the Kooth Long Term Incentive Plan and the Kooth All-Employee Share Plan, which will assist it in continuing to attract, retain and motivate high calibre employees.

## **12. Corporate Governance**

### ***QCA Code***

The Directors acknowledge the importance of high standards of corporate governance and intend to comply with the principles set out in the Corporate Governance Code issued by the QCA, to the extent that the Board considers appropriate for a business of the Company's size and nature.

Full details of how the Company intends to comply with the QCA Code, from Admission, are detailed in Part IV of this document. The QCA Code sets out a minimum best practice for small and midsize quoted companies, particularly AIM Companies.

On Admission, the Board will comprise the Independent Non-Executive Chair, two Executive Directors and a further two Non-Executive Directors, reflecting a blend of different experiences and backgrounds. Peter Whiting and Dame Sue Bailey are regarded as independent.

The Board intends to meet regularly to review, formulate and approve the Group's strategy, performance and corporate actions.

### ***Board Committees***

The Company has established an Audit Committee and a Remuneration Committee with formally delegated duties and responsibilities and with written terms of reference. Each of these committees will meet regularly on the frequencies set out in this paragraph 12. From time to time, separate committees may be set up by the Board to consider specific issues when the need arises.

### ***Audit Committee***

The Audit Committee will have the primary responsibility of monitoring the quality of internal controls to ensure that the financial performance of the Group is properly measured and reported.

It will receive and review reports from the Group's management and external auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. The Audit Committee will meet not less than three times in each financial year and will have unrestricted access to the Group's external auditors. The Audit Committee comprises Simon Philips and Dame Sue Bailey and will be chaired by Peter Whiting.

### ***Remuneration Committee***

The Remuneration Committee will review the performance of the Executive Directors and make recommendations to the Board on matters relating to their remuneration and terms of service. The Remuneration Committee will meet as and when necessary, but at least three times each year. In exercising this role, the Directors shall have regard to the recommendations put forward in the QCA Code and, where appropriate, the Remuneration Committee Guide for Small and Mid-Size Quoted Companies published by the QCA and associated guidance. The Remuneration Committee will, where possible, adhere to the Remuneration Committee policy document which includes, inter alia, a requirement for executive directors of the Company to hold an amount of Shares in value equivalent to their annual salary, with a tapering post-employment shareholding requirement. The Remuneration Committee comprises Peter Whiting and Dame Sue Bailey and will be chaired by Simon Philips.

### ***Share Dealing Policy***

The Company has adopted a share dealing policy regulating trading and confidentiality of inside information for persons discharging managerial responsibilities ("PDMRs") and persons closely associated with them which contains provisions appropriate for a company whose shares are admitted to trading on AIM. The Company will take all reasonable steps to ensure compliance by PDMRs and any relevant employees with the terms of that share dealing policy.

## **13. Share Incentive Plan**

In order to align the interests of Shareholders and employees from Admission, the Company will adopt discretionary employee share option plans, further details of which are set out in paragraph 4 of Part V.

## **14. Lock-in and Orderly Market Arrangements**

The Directors, the Senior Managers, Elaine Bousfield and Root Capital have undertaken to the Company and Panmure Gordon not to dispose of any interests in Shares owned by them for a period of 12 months from Admission.

Such undertakings are in place in respect of 25,055,776 Shares in total, representing 75.8 per cent. of the Enlarged Share Capital. The Directors, the Senior Managers, Elaine Bousfield and Root Capital have also undertaken for a further 12 months thereafter, to effect all sales, transfers or other disposals of their Shares in such orderly manner as Panmure Gordon may reasonably require to maintain an orderly market.

Further details of these arrangements are set out in paragraph 9 of Part V of this document.

## **15. Dividend policy**

The declaration and payment by the Company of any future dividends on the Shares will depend on the results of the Group's operations, its financial condition, cash requirements, future prospects, profits available for distribution and other factors deemed to be relevant at the time.

The Board has no current intention of paying a cash dividend to Shareholders as the Board currently intends to invest the Group's cash reserves and any cash generated into business growth, and will consider declaring a dividend only when prudent to do so and in the context of the cash generated by the business. It is the Board's intention, should the Group generate a sustained level of distributable profits, to consider a progressive dividend policy in future years.



Declaration of dividends will always remain subject to all applicable legal and regulatory requirements and recommendations of final dividends and payments of interim dividends will be at the discretion of the Board. The Board will not exercise such discretion where it is not commercially prudent to do. Whilst the Board considers dividends as the primary method of distributing profit to shareholders, it may, at its discretion, consider share purchases, when advantageous to shareholders and where permissible. The Company may revise its dividend policy from time to time.

## **16. Admission, Settlement and CREST**

Application has been made to the London Stock Exchange for the Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Shares will commence on 2 September 2020. The Shares will be in registered form. The Articles permit the Company to issue Shares in uncertificated form in accordance with the CREST Regulations. CREST is a computerised share transfer and settlement system. The system allows shares and other securities to be held in electronic form rather than paper form, although a shareholder can continue dealing based on share certificates and notarial deeds of transfer.

The ISIN number of the Shares is GB00BMCZLK30.

For more information concerning CREST, Shareholders should contact their own stockbroker or Euroclear UK & Ireland.

## **17. The Takeover Code**

The Takeover Code applies to the Company. Under the Takeover Code, if an acquisition of interests in Shares were to increase the aggregate voting rights in the Company of the acquirer and its concert parties (if any) to 30 per cent. or more, the acquirer would be required (except with the consent of the Takeover Panel) to make a cash offer for the outstanding Shares at a price not less than the highest price paid for interests in Shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered when, except with the consent of the Takeover Panel, any person (together with their concert parties, if any) who has an interest in Shares which carry 30 per cent. or more, but not more than 50 per cent. of the voting rights in the Company acquires any interest in Shares which increases the percentage of voting rights which that person has.

Further information on the provisions of the Takeover Code is set out in paragraph 14 of Part V of this document.

## **18. Taxation**

Your attention is drawn to the taxation section contained in paragraph 13 of Part V of this document. These details are, however, only intended as a guide to the current taxation law position in the UK. If you are in any doubt as to your tax position, you should consult your own independent financial or tax adviser immediately.

## **19. Further Information and Risk Factors**

You should read the whole of this document, which provides additional information on the Group and the Placing, and not just rely on the information contained in this Part I. In particular, your attention is drawn to the Risk Factors in Part II of this document and the additional information contained in Part V of this document.

## PART II

### RISK FACTORS

*Investing in and holding Shares involves financial risk. Prospective investors in the Shares should carefully review all of the information contained in this document and should pay particular attention to the following risks associated with an investment in the Shares, the Group's business and the industry in which it participates.*

*The risks and uncertainties described below are not an exhaustive list and do not necessarily comprise all, or explain all, of the risks associated with the Group and the industry in which it participates or an investment in the Shares. They comprise the material risks and uncertainties in this regard that are known to the Company and should be used as guidance only. Additional risks and uncertainties relating to the Group and/or the Shares that are not currently known to the Company, or which the Company currently deems immaterial, may arise or become (individually or collectively) material in the future, and may have a material adverse effect on the Group's business, results of operations, financial condition and prospects. If any such risk or risks should occur, the price of the Shares may decline and investors could lose part or all of their investment. Prospective investors should consider carefully whether an investment in the Shares is suitable for them in the light of the information in this document and their personal circumstances.*

#### **RISKS RELATING TO THE GROUP'S BUSINESS AND THE INDUSTRY IN WHICH IT OPERATES**

##### ***Safeguarding issues and the failure to notify***

The core component of the Group's business is providing counselling services to children and young people, and to adults, some of whom are vulnerable. The services the Group provides are classed as "regulated activities" within the meaning of the Safeguarding Vulnerable Groups Act 2006 ("**SVGA**") and the Group therefore has a duty to refer safeguarding incidents within their organisation to the Disclosure and Barring Service ("**DBS**"), if certain criteria are fulfilled. As well as the DBS, the Group has reporting obligations to a number of organisations, including the Local Authority Designated Officer, the British Association For Counselling And Psychotherapy and the police, in cases of criminal activity.

As well as providing regulated activities under the SVGA, the Group also has a duty under the Health and Safety at Work Act 1974 to reduce the risk posed to persons other than their employees which arise from the conduct of their business, so that such risk is as low as reasonably practicable. The Group therefore owes a duty towards its service users to reduce the risk to their safeguarding as much as reasonably practicable.

The Group has in place robust systems to manage safeguarding and a comprehensive internal risk identification process to reduce the risk to safeguarding so that it is as low as reasonably practicable. Given the nature of the Group's business, there will always be a risk that significant safeguarding incidents may occur, or that the Group could fail to make a necessary notification to the relevant regulatory body, the DBS, or such other organisation as required. As expected from robust and comprehensive internal systems, potential safeguarding concerns have been reported or identified, and have been fully investigated. In some cases, the concerns were found to be unsubstantiated, whilst in others the concerns were sufficiently minor that they merited being dealt with internally. In only two instances since 2016 have concerns met the statutory criteria for referral to the DBS, and referrals were duly made. Furthermore, there have been no regulatory investigations into the Group as a result of these two referrals and no claims have been made against the Group in relation to safeguarding issues. Ensuring trust in its service is a key part of the Group's success. If significant safeguarding incidents arise, or if the Group fails to make the necessary notifications, reputational damage could potentially ensue, including adverse publicity,

resulting in the loss of trust of its users and customers. This could ultimately have a significant adverse effect on the Group's ability to retain customers and hence on its overall financial condition.

### ***Changes in laws and regulations***

The Group's business and its counsellors are subject to regulation and whilst some changes may provide opportunities for the Group (for example by allowing it to consolidate its market position), the Group's business may be adversely affected by changes in government legislation, guidelines and regulations. It is not always possible to predict future changes to laws and regulations as they may relate to the services the Group offers and any changes could have a material adverse effect on the Group's business operation and financial condition. Any changes to the prominent areas of the Group's business resulting from changes in laws, regulations or guidelines may cause the Group to incur significant costs in respect of implementing necessary changes required and may severely restrict aspects of the Group's business, leading to an impact on revenue and its financial condition.

### ***Reliance on software and IT infrastructure***

The Group and its business model are dependent on its software and IT capabilities and the Group relies to a significant degree on the efficient and uninterrupted operation of its applications which deliver services to customers.

The access of the Group's users and its customers to its digital platforms and the ease with which customers can use and navigate these, along with the broad range of functionality and services that are available, are key features that affect the attractiveness of the Group's services.

Due to the Group's dependency on technology and its software applications, the Group is significantly exposed to the risk that such technology may experience any form of damage, interruption or failure for even relatively short periods of time. Such a loss of software functionality, particularly any repeated interruption, could result in dissatisfied customers and a loss of confidence in the Group's services, with a consequential material adverse effect on the Group's business, revenue and financial condition. Damage and interruption to the Group's technology systems could arise from events including, but not limited to, natural disasters, telecommunication failures, power loss, software failures, hacking, sabotage or war and terrorism.

### ***Data protection breaches***

The Group must ensure ongoing compliance with various data protection laws, including the UK's Data Protection Act 2018 and the Privacy and Electronic Communications (EC Directive) Regulations 2003. The Group is under an obligation to protect the private and personal data that it holds, including that of its employees.

The Group is required to take steps to ensure compliance with the General Data Protection Regulation (Regulation (EU) 2016/679) ("**GDPR**"). Any personal information that the Group holds in respect of its employees would be subject to the GDPR and relevant laws. There is an inherent risk such data could be processed in a manner which is in direct breach of the relevant data protection legislation, the consequence of which would not only be a potentially significant fine, but may also result in damage to the Group's reputation further impacting the Group's revenue.

The data that the Group collects from its users is anonymised, is collected with explicit consent, no financial information is collected and all data is encrypted in compliance with NHS data standards. Nevertheless there is a risk that any data breach within the Group could have significant reputational impact, given the nature of the services the Group offers. Although the Board considers that the Group has in place adequate procedures to ensure compliance with the GDPR and controls to ensure the security of the data collected, this does not preclude the possibility of litigation or damage of goodwill as a result of a perceived breach, or an actual breach of the GDPR.

### ***Technological change and competition***

The market that the Group operates in is fast paced and seeing increasing attention from other competitor companies and new entrants, who are also building solutions for the mental healthcare sector. Such competitors and new entrants may have greater financial and marketing resources and may seek to develop technology that more successfully competes with the Group's current software and service offering, as well as potentially adopting more aggressive pricing models and marketing campaigns, which may place the Group at a significant disadvantage. There is also no guarantee that competitors or new entrants will not bring with them superior technologies, products or services to the market the Group serves, which could undercut the Group's service proposition to its customer and user base. While the Group continually invests in innovating the services it provides, even if the Group is able to compete successfully, it may need to make changes to its products or services in order to respond to changes in its customers' needs, which may have a negative impact on the Group's financial performance.

### ***Expansion into new territories***

Part of the Group's strategy is to expand into new markets, including the US. While every effort is made to take the appropriate precautions when developing new markets, such development may still involve greater legal, regulatory and commercial risks than those associated with the Group's current operations in the UK. Furthermore, the risk of the Group being refused the regulatory licences it needs to operate in such markets could severely restrict its international growth and business plans.

### ***Reduction in funding of the NHS due to economic downturn***

Currently, 93 per cent. of the Group's revenue comes from its contracts with CCGs. Whilst the provision of mental health care is a priority for the UK government and the NHS and historically, there is no guarantee that the current levels of NHS funding provided to the Group will continue, especially if there is an economic downturn caused by the effects of COVID-19 and the UK leaving the EU without a trade deal. In the event that the government does cut funding to the NHS, this could result in either the Group's current contracts with CCGs not being renewed or NHS trusts wanting increased efficiency from the Company for its costs, thereby increasing the difficulty of securing new contracts with other CCGs, leading to an adverse financial impact on the Group. Furthermore, any economic downturn caused by the effects of COVID-19 and the UK leaving the EU without a trade deal may impact revenue growth of Kooth Work as businesses seek to curtail "non-essential" expenditure.

### ***Inability to demonstrate outcomes of work with academic partners***

Kooth works in partnership with academic and NHS partner organisations to research and develop the evidence base to demonstrate mental health outcomes for new online therapeutic approaches. Failure to demonstrate positive outcomes, or the exclusion of Kooth from collaborating with academic research partners, could negatively impact the perception and reputation of Kooth in the industry, leading to a potential loss of business.

### ***Dependence on key personnel and employees***

The continued success of the Group depends partly upon the performance and expertise of its current and future key executives and personnel, particularly the Group's highly skilled counsellors and related practitioners and software developers. A lack of skilled workforce could result in a drop in services levels, user dissatisfaction, cause safeguarding issues and therefore have an adverse negative impact on the Group in terms of its reputation.

Although the Group provides various incentives for its management team and other key personnel in order to ensure these employees are retained and rewarded, the Group currently has a relatively small senior management team, whose skills, knowledge, experience and performance are important to the Group's ongoing success. The loss of such individuals, or the failure to train and

attract other high calibre individuals may impact on the Group's business and the Group's ability to achieve its growth targets.

### ***The impact of the UK leaving the EU without a trade deal and market access***

The nature of the Group's business means large quantities of data are stored. If the UK leaves the EU without a trade deal and there is no agreement on how current EU laws relating to data protection will apply to the UK after 2020, then the security and certainty around the storage of the Group's data may be severely affected. Any change in data protection laws after 2020 could significantly affect the Group's business and the software it uses, leading to an impact on service provision to end users and potentially could carry a significant cost to the Group in respect of implementing any changes required by law.

### ***Intellectual property***

The Group relies on intellectual property law to protect its intellectual property rights. Despite the Group taking precautions to ensure it owns and protects all intellectual property it requires to run its business, but other parties may attempt to copy or use the Group's products or the technology incorporated into them. The Group may need to engage in litigation to protect its intellectual property rights, which may be costly and involve a significant commitment of resources and management time.

### ***Litigation and other adversarial actions in the ordinary course of business could materially adversely affect the Group***

Although the Group is not currently party to (either as a claimant or as a defendant) any material litigation, it may be subject to such litigation in the future. In addition, the Group may be subject to other disputes, claims and complaints, including adversarial actions, by customers, employees, suppliers, insurers and others in the ordinary course of business. Significant claims or a substantial number of small claims may be expensive to defend, may divert the time and focus of management away from the Group's operations and may result in the Group having to pay monetary damages, any of which could have a material adverse effect on the Group's financial condition, business, prospectus and results of operations. In addition, adverse publicity or substantial litigation against the Group could negatively impact its reputation, even if the Group is not found liable, which could have a material adverse effect on the Group's business and financial condition.

## **RISKS RELATING TO THE PLACING AND THE SHARES**

### ***Share price volatility and liquidity***

AIM is a trading platform designed principally for growth companies, and as such, tends to experience lower levels of trading liquidity than larger companies quoted on the Official List or some other stock exchanges. Following Admission, there can be no assurance that an active or liquid trading market for the Shares will develop or, if developed, that it will be maintained. The Shares may therefore be subject to large fluctuations on small volumes of shares traded. As a result, an investment in shares traded on AIM carries a higher risk than those listed on the Official List.

Prospective investors should be aware that the value of an investment in the Group may go down as well as up and that the market price of the Shares may not reflect the underlying value of the Group. There can be no guarantee that the value of an investment in the Group will increase. Investors may therefore realise less than, or lose all of, their original investment. The share prices of publicly quoted companies can be highly volatile and shareholdings illiquid. The price at which the Shares are quoted and the price which investors may realise for their Shares may be influenced by a large number of factors, some of which are general or market specific, others which are sector specific and others which are specific to the Group and its operations. These factors include, without limitation, (i) the performance of the overall stock market; (ii) large purchases or sales of Shares by other investors; (iii) financial and operational results of the Group; (iv) changes

in analysts' recommendations and any failure by the Group to meet the expectations of the research analysts; (v) changes in legislation or regulations and changes in general economic, political or regulatory conditions; and (vi) other factors which are outside of the control of the Group.

Shareholders may sell their Shares in the future to realise their investment. Sales of substantial amounts of Shares following Admission and/or termination of the lock-in restrictions (the terms of which are summarised in paragraph 9 of Part V of this document), or the perception that such sales could occur, could materially adversely affect the market price of the Shares available for sale compared to the demand to buy Shares. There can be no guarantee that the price of the Shares will reflect their actual or potential market value or the underlying value of the Group's net assets and the price of the Shares may decline below the Placing Price. Shareholders may be unable to realise their Shares at the quoted market price or at all.

### ***Investment risk***

An investment in a quoted company is highly speculative, involves a considerable degree of risk and is suitable only for persons or entities which have substantial financial means and who can afford to hold their ownership interests for an indefinite amount of time or to lose their investment principal.

### ***Determination of Placing Price***

Placees will subscribe for the Shares at the Placing Price, which is a fixed price, prior to satisfaction of all conditions for the Shares to be issued. The Placing Price may not accurately reflect the trading value of the Shares when issued, or the Company's potential earnings or any other recognised criteria of value.

### ***Dilution***

If the Company were to offer equity securities for sale in the future, Shareholders not participating in these equity offerings may be diluted and pre-emptive rights may not be available to certain Shareholders. The Company may also in the future issue Shares, warrants and/or options to subscribe for new Shares, including (without limitation) to certain advisers, employees, directors, senior management and consultants. The exercise of such warrants and/or options may also result in dilution of the shareholdings of other investors.

### ***Substantial Shareholders***

On Admission, the Shareholder whose name is set out in paragraph 6 of Part V of this document will hold, in aggregate, approximately 50.2 per cent. of the Enlarged Share Capital. Notwithstanding the terms of the Relationship Agreement, the Articles and applicable laws and regulations, this Shareholder will be able to exercise significant influence over the Company and the Group's operations, business strategy and those corporate actions which require the approval of Shareholders.

### ***Dividends***

There can be no assurances as to the level of future dividends, if any. Whilst the Company intends to consider paying dividends in the future, the declaration, payment and amount of any future dividends of the Company is subject to the discretion of the Directors and will depend upon, among others, the Group's earnings, financial position, cash requirements, strategic goals and availability of distributable reserves, as well as the provisions of relevant laws and generally accepted accounting practice.

## **PART III**

### **HISTORICAL FINANCIAL INFORMATION**

Since the date of its incorporation, Kooth plc has not commenced operations and has no material assets or liabilities. Therefore no financial statements have been prepared for Kooth plc as at the date of this document. The Historical Financial Information in Section B of this Part III and the Unaudited Interim Financial Information in Section C of this Part III has been prepared for Xenzone Group.

## Section A: Accountant's Report on the Historical Financial Information



The Directors  
Kooth plc  
The Epworth  
25 City Road  
2nd Floor  
London  
EC1Y 1AA

26 August 2020

Dear Sir/Madam

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**Grant Thornton UK LLP**  
30 Finsbury Square  
London  
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### **Xenzone Group Limited and its subsidiary undertakings (together, Xenzone Group) – Accountant's Report on Historical Financial Information**

We report on Xenzone Group's historical financial information set out in Section B of Part III of the admission document of Kooth plc (the Company) dated 26 August 2020 (the Admission Document), for the three years ended 31 December 2019 (the Historical Financial Information). The Historical Financial Information has been prepared for inclusion in the Admission Document on the basis of the accounting policies set out in note 2 to the Historical Financial Information.

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 Company are responsible for preparing the Historical Financial Information in accordance with International Financial Reporting Standards as adopted by the European Union. It is our responsibility to form an opinion on the Historical 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 Paragraph (a) of 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 the 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 Historical Financial Information. It also included an assessment of the significant estimates and judgements made by those responsible for the

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preparation of the Historical 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 Historical Financial Information is free from material misstatement, whether caused by fraud or other irregularity or error.

### **Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of Xenzone Group as at 31 December 2017, 2018 and 2019 and of its results, cash flows and changes in equity for the three years ended 31 December 2019 in accordance with International Financial Reporting Standards adopted by the European Union.

### **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 Admission Document and declare that, to the best of our knowledge, the information contained in this report is in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

**GRANT THORNTON UK LLP**

## Section B: Historical Financial Information

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2017 £	Year ended 31 December 2018 £	Year ended 31 December 2019 £
<b>Continuing operations</b>				
Revenue	8	4,901,054	6,193,647	8,658,922
Cost of sales		(2,467,175)	(3,006,437)	(4,197,059)
<b>Gross profit</b>		<u>2,433,879</u>	<u>3,187,210</u>	<u>4,461,863</u>
Other operating income	9	–	38,548	321,062
Administrative expenses		(2,061,629)	(3,291,629)	(5,684,477)
Impairment of goodwill	10	(291,891)	–	–
<b>Profit/(loss) from operations</b>	10	<u>80,359</u>	<u>(65,871)</u>	<u>(901,552)</u>
Finance costs	13	(228,519)	(322,706)	(390,685)
<b>Loss before tax expense</b>		<u>(148,160)</u>	<u>(388,577)</u>	<u>(1,292,237)</u>
Income tax credit	14	140,792	245,712	368,807
Loss from continuing operations		(7,368)	(142,865)	(923,430)
<b>Discontinued operations</b>				
Loss from discontinued operations	4	(183,084)	(90,640)	(160,378)
<b>Net loss for the year</b>		<u>(190,452)</u>	<u>(233,505)</u>	<u>(1,083,808)</u>
<b>Total comprehensive loss for the year</b>		<u>(190,452)</u>	<u>(233,505)</u>	<u>(1,083,808)</u>
<b>Loss per share</b>				
Basic				
On total profits attributable to equity				
holders of parent	6	(0.19)	(0.23)	(1.08)
On continuing operations	6	(0.01)	(0.14)	(0.92)
On discontinued operations	6	(0.18)	(0.09)	(0.16)

There is no difference between basic and diluted earnings per share.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	1 January 2017 £	31 December 2017 £	31 December 2018 £	31 December 2019 £
<b>Non-current assets</b>					
Intangible assets	16	1,541,691	2,039,094	3,437,015	3,496,794
Tangible assets	17	97,439	110,642	169,408	414,334
<b>Total non-current assets</b>		<u>1,639,130</u>	<u>2,149,736</u>	<u>3,606,423</u>	<u>3,911,128</u>
<b>Current assets</b>					
Trade and other receivables	19	493,524	589,597	821,065	1,755,890
Corporation tax asset		14,921	159,054	353,698	267,838
Cash and cash equivalents		367,264	503,687	389,310	153,507
<b>Total current assets</b>		<u>875,709</u>	<u>1,252,338</u>	<u>1,564,073</u>	<u>2,177,235</u>
Current assets classified as held for sale	5	–	329,948	273,167	292,263
<b>TOTAL ASSETS</b>		<u>2,514,839</u>	<u>3,732,022</u>	<u>5,443,663</u>	<u>6,380,626</u>
<b>Equity and liabilities</b>					
Equity attributable to equity holders of the parent					
Share capital	25	100	100	100	116
Share premium		–	–	–	1,984
Retained earnings		(603,599)	(940,087)	(1,173,592)	(2,257,400)
<b>Attributable to the owners of the company</b>		<u>(603,499)</u>	<u>(939,987)</u>	<u>(1,173,492)</u>	<u>(2,255,300)</u>
Non-controlling interests		(141,036)	–	–	–
<b>Total equity</b>		<u>(744,535)</u>	<u>(939,987)</u>	<u>(1,173,492)</u>	<u>(2,255,300)</u>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Deferred tax liabilities	15	10,178	28,440	136,426	30,602
Lease liabilities	21	3,979	16,137	44,101	238,667
<b>Total non-current liabilities</b>		<u>14,157</u>	<u>44,577</u>	<u>180,527</u>	<u>269,269</u>
<b>Current liabilities</b>					
Trade and other payables	20	3,238,401	4,445,565	6,264,251	8,210,276
Lease liabilities	20	6,816	37,382	43,534	29,858
<b>Total current liabilities</b>		<u>3,245,217</u>	<u>4,482,947</u>	<u>6,307,785</u>	<u>8,240,134</u>
Liabilities associated with current assets held for sale	5	–	144,485	128,843	126,523
<b>TOTAL LIABILITIES</b>		<u>3,259,374</u>	<u>4,672,009</u>	<u>6,617,155</u>	<u>8,635,926</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>2,514,839</u>	<u>3,732,022</u>	<u>5,443,663</u>	<u>6,380,626</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<i>Share capital</i>	<i>Share premium</i>	<i>Retained earnings</i>	<i>Capital and reserves attributable to owners</i>	<i>Non-controlling interests</i>	<i>Total equity</i>
	£	£	£	£	£	£
At 1 January 2017	100	–	(603,599)	(603,499)	(141,036)	(744,535)
Total comprehensive income for the year	–	–	(184,249)	(184,249)	(6,203)	(190,452)
Purchase of non-controlling interest	–	–	(152,239)	(152,239)	147,239	(5,000)
Balance at 31 December 2017	100	–	(940,087)	(939,987)	–	(939,987)
Total comprehensive income for the year	–	–	(233,505)	(233,505)	–	(233,505)
Balance at 31 December 2018	100	–	(1,173,592)	(1,173,492)	–	(1,173,492)
Total comprehensive income for the year	–	–	(1,083,808)	(1,083,808)	–	(1,083,808)
Issue of share capital	16	1,984	–	2,000	–	2,000
Balance at 31 December 2019	116	1,984	(2,257,400)	(2,255,300)	–	(2,255,300)

## CONSOLIDATED STATEMENT OF CASH FLOW

	Note	Year ended 31 December		
		2017	2018	2019
		£	£	£
<b>Cash flows from operating activities:</b>				
Loss after tax		(190,452)	(233,505)	(1,083,808)
Taxation credit		(140,792)	(245,712)	(368,807)
Finance costs		228,519	322,706	390,685
Depreciation of property plant and equipment		93,149	82,608	215,225
Amortisation of intangible assets		47,135	58,820	813,550
Impairment of goodwill		291,896	–	–
Loss on disposal of property, plant and equipment		147	11	13,674
Increase in trade and other receivables		(395,964)	(190,329)	(956,241)
Increase in trade and other creditors		301,404	598,524	546,150
Cash generated from operations		235,042	393,123	(429,572)
R&D Tax Credit received		10,122	159,054	348,843
<b>Net cash generated from operating activities</b>		<u>245,164</u>	<u>552,177</u>	<u>(80,729)</u>
<b>Cash flows from investing activities:</b>				
Purchase of tangible assets		(59,851)	(78,541)	(145,150)
Purchase of intangible assets		(876,726)	(1,456,741)	(873,329)
Proceeds from disposal of tangible assets		931	600	–
<b>Net cash used in investing activities</b>		<u>(935,646)</u>	<u>(1,534,682)</u>	<u>(1,018,479)</u>
<b>Cash flows from financing activities:</b>				
Payment of lease liabilities	22	(16,419)	(29,328)	(147,785)
Interest Paid		(1,676)	(2,544)	(7,409)
Bank loan advances		850,000	600,000	500,000
Net movement on invoice discounting facility advances		–	300,000	516,599
Issue of ordinary share capital		–	–	2,000
Acquisition of minority interests		(5,000)	–	–
<b>Net cash generated from financing activities</b>		<u>826,905</u>	<u>868,128</u>	<u>863,405</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>136,423</u>	<u>(114,377)</u>	<u>(235,803)</u>
<b>Cash and cash equivalents at start of year</b>		367,264	503,687	389,310
<b>Cash and cash equivalents at end of year</b>		<u>503,687</u>	<u>389,310</u>	<u>153,507</u>
<b>Cash and cash equivalents at end of year comprises:</b>				
Cash at bank and in hand		<u>503,687</u>	<u>389,310</u>	<u>153,507</u>

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### Net debt

	<i>At 1</i>		<i>At 31</i>			<i>At 31</i>			<i>At 31</i>	
	<i>January</i>	<i>Cash flow</i>	<i>Non-cash</i>	<i>December</i>	<i>Cash flow</i>	<i>Non-cash</i>	<i>December</i>	<i>Cash flow</i>	<i>Non-cash</i>	<i>December</i>
	<i>2017</i>		<i>movement</i>	<i>2017</i>		<i>movement</i>	<i>2018</i>		<i>movement</i>	<i>2019</i>
<b>Cash and cash equivalents</b>										
Cash	367,264	136,423	–	503,687	(114,377)	–	389,310	(235,803)	–	153,507
Bank overdrafts	–	–	–	–	–	–	–	–	–	–
	<u>367,264</u>	<u>136,423</u>	<u>–</u>	<u>503,687</u>	<u>(114,377)</u>	<u>–</u>	<u>389,310</u>	<u>(235,803)</u>	<u>–</u>	<u>153,507</u>
<b>Debt</b>										
Other loans	(2,498,527)	(850,000)	(226,843)	(3,575,370)	(600,000)	(320,162)	(4,495,532)	(500,000)	(383,276)	(5,378,808)
Invoice discounting facility	–	–	–	–	(300,000)	–	(300,000)	(516,599)	–	(816,599)
Lease liabilities	(10,795)	16,419	(59,143)	(53,519)	29,328	(63,444)	(87,635)	147,785	(328,675)	(268,525)
	<u>(2,509,322)</u>	<u>(833,581)</u>	<u>(285,986)</u>	<u>(3,628,889)</u>	<u>(870,672)</u>	<u>(383,606)</u>	<u>(4,883,167)</u>	<u>(868,814)</u>	<u>(711,951)</u>	<u>(6,463,932)</u>
<b>Net debt</b>	<u>(2,142,058)</u>	<u>(697,158)</u>	<u>(285,986)</u>	<u>(3,125,202)</u>	<u>(985,049)</u>	<u>(383,606)</u>	<u>(4,493,857)</u>	<u>(1,104,617)</u>	<u>(711,951)</u>	<u>(6,310,425)</u>

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1. General Information

Xenzone Group Limited is a private company limited by share capital incorporated and domiciled in England and Wales. The principal activity of Xenzone Group is the provision of online counselling and support to children, young people, and adults in need.

The address of its registered office is:

The Epworth  
25 City Road, 2nd Floor  
London  
EC1Y 1AA

The company number for Xenzone Group Limited is 09795273.

### 2. Summary of significant accounting policies

#### ***Statement of compliance***

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards and interpretations (collectively "IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by the European Union.

This Historical Financial Information does not constitute statutory accounts within the meaning of section 435 of Companies Act 2006. The Directors of the Company are solely responsible for the preparation of this Historical Financial Information.

#### ***Summary of significant accounting policies and key accounting estimates***

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies including IFRS 9, IFRS 15 and IFRS 16 have been consistently applied to all the years presented, unless otherwise stated.

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

This Historical Financial Information presents the financial track record of Xenzone Group for the three years ended 31 December 2019 and is prepared for the purposes of admission to AIM, a market operated by the London Stock Exchange.

This basis of preparation describes how this Historical Financial Information has been prepared in accordance with the requirements of the AIM Rules for Companies and IFRS.

The Historical Financial Information has been prepared on the following basis:

- The consolidated financial information for Xenzone Group for the years ended 31 December 2017, 31 December 2018 and 31 December 2019;
- Using historical cost convention except for, where disclosed in the accounting policies, certain items show at fair value.

The Historical Financial Information is presented in Pounds Sterling, being the functional currency of Xenzone Group Limited and all entities within Xenzone Group.

For all periods up to and including the year ended 31 December 2019, Xenzone Group Limited previously prepared its statutory financial statements in accordance with Financial Reporting Standard 102 ("UK GAAP"). This historical information for the years ended 31 December 2017, 31 December 2018 and 31 December 2019 is the first financial information Xenzone Group Limited has prepared in accordance with IFRS and the date of transition was 1 January 2017. In preparing this Historical Financial Information, Xenzone Group's opening statement of financial position was prepared as at 1 January 2017. A reconciliation between UK GAAP and IFRS is included in

note 28. The principles and requirements for first time adoption of IFRS are set out in IFRS 1. IFRS 1 allows certain exceptions and exemptions in the application of particular standards to prior years in order to assist companies with the transition process. Xenzone Group Limited has applied optional exemptions of IFRS 3 at transition date for prior acquisitions.

The preparation of Historical Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Xenzone Group's accounting policies. These are disclosed in note 3.

### ***Changes in accounting policy and disclosures***

#### ***(a) New and amended accounting standards***

None of the standards, interpretations and amendments, with the exception of IFRS 16, effective for the first time from 1 January 2017 have had a material effect on the Historical Financial Information.

#### ***(b) Future standards***

There are no new standards that will have an impact on the Historical Financial Information.

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

The Historical Financial Information consolidates the historical financial information of Xenzone Group Limited and its subsidiary undertakings drawn up to 31 December 2017, 2018 and 2019.

A subsidiary is an entity controlled by Xenzone Group Limited. Xenzone Group 'controls' an entity when it has:

- (a) power over the entity
- (b) exposure, or rights, to variable returns from its involvement with the entity
- (c) the ability to use its power over the entity to affect the amount of Xenzone Group's returns

The results of subsidiaries acquired during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition, as appropriate. Where necessary, adjustments are made to the Historical Financial Information of subsidiaries to bring their accounting policies into line with those used by Xenzone Group.

The acquisition method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the Group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances, and unrealised gains on transactions between Xenzone Group Limited and its subsidiaries, which are related parties, are eliminated in full.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from Xenzone Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

### ***Going concern***

The directors have prepared forecast information which takes into account the current COVID-19 outbreak and its potential impact on the business. For Xenzone Limited, COVID-19 has actually



resulted in an increase in demand for Xenzone Group's service, which is online rather than face to face.

The financial information has been prepared assuming Xenzone Group will continue as a going concern. Under the going concern assumption, an entity is ordinarily viewed as continuing in business for the foreseeable future. In assessing whether the going concern assumption is appropriate, management has considered Xenzone Group's existing working capital and management are of the opinion that Xenzone Group has adequate resources to undertake its planned programme of activities for a period of at least 12 months from the date of its admission to the AIM.

### ***Segmental reporting***

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions. As Xenzone Group's operations are all in one location within the United Kingdom, the Directors are of the opinion that Xenzone Group has only one reportable operating segment, this is in line with internal reporting provided to the executive directors.

### ***Revenue***

Revenue arises from the provision of counselling services and mental health support services under fixed price contracts. Contracts are typically for a 12-month period and are fixed price based on an expected number of hours of counselling provided.

To determine whether to recognise revenue, Xenzone Group follows the 5-step process as set out within IFRS 15:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

Contracts with customers take the form of signed agreements from customers. There is one distinct performance obligation, being the provision of counselling services, to which all the transaction price is allocated. Revenue from counselling services is recognised in the accounting period in which the services are rendered. The contracts are satisfied monthly over the contract term for an agreed level of support hours. Revenue is recognised over-time, on a systematic basis over the period of the contract, as this represents the best stage of completion.

In certain circumstances the number of hours of counselling provided may surpass the expected number of hours within the contract. In this circumstance, Management do not recognise additional revenue during the period, as contractually Xenzone Group has no right to demand payment for additional hours. In some instances Xenzone Group have recovered additional fees post year end for the additional hours incurred; this additional revenue is recognised point in time when Xenzone Group has agreed at additional fee and has a right to invoice. At each reporting date there was no significant overprovision of hours noted.

In cases where the invoices raised exceed the services rendered, a contract liability representing advances or deferred income is recognised.

### ***Other operating income – Government grants***

Government grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which grants are intended to compensate. Grants are classified as relating either to revenue or to assets. Grants relating to revenue are

recognised in income over the period in which the related costs are recognised. Grants relating to assets are recognised over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income. A grant has been received in 2018 and 2019 under the Small Business Research initiative for the development of a Peer to Peer application.

### ***Exceptional costs***

Costs are analysed as exceptional when they are not in the ordinary operating costs of Xenzone Group.

### ***Taxation***

The tax expense or credit for the period comprises current and deferred tax. Tax is recognised in the income statement, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current tax charge or credit is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where Xenzone Group operates and generates taxable income.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information and on unused tax losses or tax credits available to Xenzone Group. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply in the period when the liability is settled or the asset realised.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The carrying amounts of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Deferred tax assets and liabilities are only offset against each other when there is a legally enforceable right to set off current taxation assets against current taxation liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same tax authority on either (a) the same taxable entity, or (b) different taxable entities which intend to settle these on a net basis, or to realise the assets and settle the liabilities simultaneously. In Xenzone Group's accounts all taxes are levied by H M Revenue and Customs. Management review the offset of deferred tax assets and liabilities to ensure such an offset is appropriate.

### ***Research and Development tax claims***

Where Xenzone Group has made Research and Development tax claims under the Small and Medium Enterprise scheme and tax losses have been surrendered for a repayable tax credit, a current tax credit is reflected in the income statement.

### ***Share-based payment***

Benefits to employees are provided in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity settled transactions'). The fair value of the employee services rendered is measured by reference to the fair value of the shares awarded or rights granted, which takes into account market conditions and non-vesting conditions. This cost is charged to the income statement over the vesting period, with a corresponding increase in the capital reserve.

The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the company's best estimate of the number of shares that will ultimately vest. The charge or credit to the income statement for a period represents the

movement in the cumulative expense recognised at the beginning and end of that period and is recognised in employee benefits expense.

**Property, Plant and Equipment**

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in its acquisition and installation.

**Depreciation**

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, as follows:

<i>Asset class</i>	<i>Depreciation method and rate</i>
Leasehold improvements	33.33% straight line
Fixtures, fittings and equipment	33.33% – 50% straight line

**Intangible assets**

(a) *Goodwill*

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over Xenzone Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity, recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated impairment losses.

(b) *Development costs*

Expenditure on research activities as defined in IFRS is recognised in the income statement as an expense is incurred.

Expenditure on internally developed software products and substantial enhancements to existing software product is recognised as intangible assets only when the following criteria are met:

1. It is technically feasible to develop the product to be used or sold;
2. There is an intention to complete and use or sell the product;
3. Xenzone Group is able to use or sell the product;
4. Use or sale of the product will generate future economic benefits;
5. Adequate resources are available to complete the development; and
6. Expenditure on the development of the product can be measured reliably.

The capitalised expenditure represents costs directly attributable to the development of the asset from the point at which the above criteria are met up to the point at which the product is ready for use. If the qualifying conditions are not met, such development expenditure is recognised as an expense in the period in which it is incurred.

Development costs largely relate to amounts paid to external developers, consultancy costs and the direct payroll costs of the internal development teams. Capitalised development expenditure is reviewed at the end of each accounting period for conditions set out above and indicators of impairment.

Amortisation is charged on a straight-line basis over the useful life of the related asset which management estimate to be 3 years.

### ***Impairment testing of intangible assets and property, plant and equipment***

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately independent cash inflows (CGU). Those intangible assets including goodwill are tested for impairment at least annually. All other individual assets or CGUs are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment charge is recognised for the amount by which the asset's or CGUs carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

### ***Financial instruments***

Xenzone Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the underlying contractual arrangement. Financial instruments are recognised on the date when Xenzone Group becomes a party to the contractual provisions of the instrument. Financial instruments are initially recognised at fair value. Financial instruments cease to be recognised at the date when Xenzone Group ceases to be party to the contractual provisions of the instrument.

Financial assets are included on the balance sheet as trade and other receivables or cash and cash equivalents.

#### ***(a) Trade receivables***

Trade receivables are amounts due from customers for services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognised initially at the transaction price. Xenzone Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

The carrying amounts of the trade receivables include receivables which are subject to a factoring arrangement. Under this arrangement, Xenzone Group has transferred the relevant receivables to the factor in exchange for cash and is prevented from selling or pledging the receivables. However, Xenzone Group has retained late payment and credit risk. Xenzone Group therefore continues to recognise the transferred assets in their entirety in its balance sheet. The amount repayable under the factoring agreement is presented as secured borrowing. Xenzone Group considers that the held to collect business model remains appropriate for these receivables and hence continues measuring them at amortised cost.

Xenzone Group assess each receivable on a customer by customer basis for the expected lifetime credit loss, which is based on an unbiased weighted average probability of default both at initial recognition and subsequent reporting dates. Where an expected credit loss is identified a provision is made against the receivable. Significant financial difficulties of the customer, probability that the customer will enter bankruptcy or financial reorganisation default or delinquency in payments, and the unavailability of credit insurance at commercial rates are considered indicators that the receivable may be impaired. When these factors are confirmed for a trade receivable it is considered uncollectible and a default event is triggered. At this point it is written off against the credit loss provision account. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

(b) *Loans*

Xenzone Group's loans are measured initially at fair value, net of transaction cost and are measured subsequently at amortised cost using the effective interest method, other than those categorised as fair value through profit or loss.

(c) *Trade payables*

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and all are repayable within one year and hence are included at the undiscounted amount of cash expected to be paid.

(d) *Contract liabilities*

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before Xenzone Group transfers the related services. Contract liabilities are recognised as revenue when Xenzone Group performs under the contract (i.e., transfers control of the related services to the customer).

***Cash and cash equivalents***

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that have a maturity date of 3 months or less, are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

***Borrowings***

All borrowings are initially recorded at fair value. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless Xenzone Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

***Provisions***

Provisions are recognised when Xenzone Group has a present obligation (legal or constructive) as a result of a past event, it is probable that Xenzone Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

## **Leases**

### *Xenzone Group as lessee*

Short term leases or leases of low value are recognised as an expense on a straight-line basis over the term of the lease.

Xenzone Group recognises right-of-use assets under lease agreements in which it is the lessee. The underlying assets mainly include property and office equipment and are used in the normal course of business. The right-of-use assets comprise the initial measurement of the corresponding lease liability payments made at or before the commencement day as well as any initial direct costs and an estimate of costs to be incurred in dismantling the asset. Lease incentives are deducted from the cost of the right-of-use asset. The corresponding lease liability is included in the consolidated statement of financial position as a lease liability.

The right-of-use asset is depreciated over the lease-term and if necessary impaired in accordance with applicable standards. The lease liability shall initially be measured at the present value of the lease payments that are not paid at that date, discounted using the rate implicit in the lease. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (application of the effective interest method) and by reducing the carrying amount to reflect the lease payments made. No lease modification or reassessment changes have been made during the reporting period from changes in any lease terms or rent charges.

### **Share capital**

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

### **Defined contribution pension obligation**

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and Xenzone Group has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

### **Assets and liabilities classified as held for sale and discontinued operations**

Assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets or deferred tax assets, continue to be measured in accordance with Xenzone Group's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortisation. Financial liabilities continue to be measured in accordance with Xenzone Group's relevant accounting policy for those items.

Any profit or loss arising from the sale or remeasurement of discontinued operations is presented as part of a single line item. Assets and liabilities of disposal groups are presented separately in the statement of financial position.

### **Profit or loss from discontinued operations**

A discontinued operation is a component of Xenzone Group that either has been disposed of or is classified as held for sale. Profit or loss from discontinued operation comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss resulting from the measurement and disposal of assets classified as held for sale.

### **3. Critical accounting judgements and key sources of estimation uncertainty**

In the application of Xenzone Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the Historical Financial Information are described below.

#### ***Impairment of intangible assets (including goodwill) and property, plant and equipment***

Xenzone Group tests goodwill at least annually for impairment, and whenever there is an indication that the asset may be impaired. All other intangible assets and property, plant and equipment are tested for impairment when indicators of impairment exist. Impairment is determined with reference to the higher of fair value less costs to sell and value in use. Value in use is estimated using discounted future cashflow. Significant assumptions are made in estimated future cashflows about future events including future market conditions, future growth rates and appropriate discount rates. Changes in these assumptions could affect the outcome of impairment reviews. Goodwill relates to the various acquisitions made during the three years ended 31 December 2019 and amounts to £1,094,554 as at 31 December 2019. The estimates used in the impairment calculation are set out in Note 16. There are no reasonably possible scenarios in which the goodwill would be impaired.

#### ***Useful economic lives of development costs and property, plant and equipment***

Property, plant and equipment is depreciated over the economic useful lives of the assets. Useful lives are based on management's estimates of the period that the assets will generate revenue, which are reviewed annually for continued appropriateness. The useful economic lives applied are set out in the accounting policies.

Development costs are amortised on a straight-line basis over the useful life of the related asset which management estimate to be three years, which is industry standard.

#### ***Deferred tax***

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties.

The key sources of judgement that have a significant effect on the amounts recognised in the Historical Financial Information are described below.

#### ***Capitalisation of internal development costs***

Distinguishing the research and development phases of a new customised project and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired. Capitalised development expenditure is analysed further in Note 16.

#### 4. Discontinued operations

In December 2017, the directors announced Xenzone Group Limited intended to dispose of Beam ABA Limited. The disposal was expected to be completed within 12 months, but no offers were received until April 2019. During 2020, the company was disposed of.

In Note 5, Beam ABA Limited is considered as being held for sale at each period end. As it represents a separate line of business and there was a single co-ordinated plan to disposal of this area it is considered a discontinued operation of Xenzone Group and shown as such.

The results of the discontinued operations for the years' ended 31 December 2017, 2018 and 2019 are shown in the table below.

	<i>Year ended 31 December</i>		
	<i>2017</i>	<i>2018</i>	<i>2019</i>
	<i>£</i>	<i>£</i>	<i>£</i>
Revenue	1,186,741	1,111,868	1,070,004
Expenses	(1,369,825)	(1,202,508)	(1,230,382)
Loss from discontinued operation before tax	<u>(183,084)</u>	<u>(90,640)</u>	<u>(160,378)</u>
Net loss attributable to discontinued operations	<u>(183,084)</u>	<u>(90,640)</u>	<u>(160,378)</u>

The discontinued operations results contributed the following to the cash flow:

	<i>Year ended 31 December</i>		
	<i>2017</i>	<i>2018</i>	<i>2019</i>
	<i>£</i>	<i>£</i>	<i>£</i>
Net cash inflows/(outflows) from operating activities	(114,975)	20,368	(43,212)
Net cash inflows/(outflows) from investing activities	(5,600)	(4,452)	(8,185)
Net cash inflows/(outflows) from financing activities	<u>160,562</u>	<u>44,764</u>	<u>–</u>
Net cash inflows/(outflows) arising on disposal	<u>39,987</u>	<u>60,680</u>	<u>(51,397)</u>

#### 5. Assets classified as held for sale

In December 2017, the directors announced Xenzone Group Limited intends to dispose of Beam ABA Limited.

Xenzone Group met the following criteria under IFRS 5 at each reporting date for the operations to be considered as held for sale:

- management was committed to a plan to sell prior to the 31 December 2017 year end and continued through the periods of review;
- the asset was available for immediate sale throughout all periods;
- an active programme to locate a buyer was initiated prior to the 31 December 2017 year end and continued through the periods of review;
- the sale was highly probable, within 12 months of classification as held for sale with the disposal being expected to be completed within 12 months of each period end but no formal offers received until April 2019;
- the asset was being actively marketed for sale at a sales price reasonable in relation to its fair value at each period end; and
- actions required to complete the plan indicate that it was unlikely that plan will be significantly changed or withdrawn at each period end.

During 2020, the company was disposed of.



The major classes of assets and liabilities of Beam ABA Limited as held for sale for the years ended 31 December 2017, 2018 and 2019 are shown in the table below. The assets and liabilities are held at their carrying value.

	<i>Year ended 31 December</i>		
	<i>2017</i>	<i>2018</i>	<i>2019</i>
	<i>£</i>	<i>£</i>	<i>£</i>
Intangible fixed assets	40,292	15,344	–
Tangible fixed assets	11,490	4,127	9,423
Trade and other receivables	211,680	126,530	207,072
Cash and cash equivalents	66,486	127,166	75,768
Total assets classified as held for sale	<u>329,948</u>	<u>273,167</u>	<u>292,263</u>
Trade and other payables	<u>(144,485)</u>	<u>(128,843)</u>	<u>(126,523)</u>
Total liabilities classified as held for sale	<u>(144,485)</u>	<u>(128,843)</u>	<u>(126,523)</u>
Net assets of disposal group	<u>185,463</u>	<u>144,324</u>	<u>165,740</u>

## 6. Earnings per share

	<i>Year ended 31 December</i>		
	<i>2017</i>	<i>2018</i>	<i>2019</i>
	<i>£</i>	<i>£</i>	<i>£</i>
<b>Basic</b>			
Earnings used in calculation of earnings per share:			
On total profits/(losses) attributable to equity holders of the parent	<u>(190,452)</u>	<u>(233,505)</u>	<u>(1,083,808)</u>
On continuing operations	<u>(7,368)</u>	<u>(142,865)</u>	<u>(923,430)</u>
On discontinued operations	<u>(183,084)</u>	<u>(90,640)</u>	<u>(160,378)</u>
Weighted average number of shares in issue	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
<b>Shares in issue</b>			
Ordinary shares in issue	1,000,000	1,000,000	1,000,000
<b>Earnings/loss per share</b>			
On total profits attributable to equity holders of the parent	(0.19)	(0.23)	(1.08)
On continuing operations	(0.01)	(0.14)	(0.92)
On discontinued operations	(0.18)	(0.09)	(0.16)

As noted in Note 25, B ordinary shares have no dividend or capital distribution rights so are excluded from the earnings per share calculation. There is no difference between basic and diluted earnings per share.

## 7. Segmental reporting

Management currently identifies one operating segment in Xenzone Group under IFRS 8 being the delivery of online counselling services. Differences between the way in which the single operating segment is reported in the Historical Financial Information and the internal reporting to the Board for monitoring and strategic decisions, relates to transitions between IFRS and FRS 102.

	<i>Year ended 31 December</i>		
	<i>2017</i>	<i>2018</i>	<i>2019</i>
	<i>£</i>	<i>£</i>	<i>£</i>
Net loss for the year per the management accounts	(482,204)	(525,280)	(1,375,571)
Reversal of goodwill amortisation	291,881	291,881	291,881
IFRS 16 leases adjustment	(129)	(106)	(118)
	<u>          </u>	<u>          </u>	<u>          </u>
Net loss for the year per the Historical Financial Information	<u>(190,452)</u>	<u>(233,505)</u>	<u>(1,083,808)</u>

In accordance with IFRS 8, no single customer represented more than 10 per cent. of revenue for any of the years ended 31 December 2017, 2018 or 2019.

## 8. Revenue

The total turnover of Xenzone Group has been derived from its principal activity wholly undertaken in the United Kingdom.

	<i>Year ended 31 December</i>		
	<i>2017</i>	<i>2018</i>	<i>2019</i>
	<i>£</i>	<i>£</i>	<i>£</i>
Provision of online counselling	4,901,054	6,193,647	8,658,922
	<u>          </u>	<u>          </u>	<u>          </u>
	<u>4,901,054</u>	<u>6,193,647</u>	<u>8,658,922</u>

## Contract balances

	<i>As at 1 January 2017 £</i>	<i>As at 31 December 2017 £</i>	<i>As at 31 December 2018 £</i>	<i>As at 31 December 2019 £</i>
Trade receivables	289,556	431,610	589,428	1,402,959
Contract liabilities	<u>229,036</u>	<u>242,801</u>	<u>257,299</u>	<u>352,129</u>

Contract liabilities are recognised as revenue in the statement of comprehensive income within 3 months of year end.

## 9. Other operating income

Other operating income arises mainly from the receipt of government grants. Since this is not considered to be part of the main revenue generating activities, Xenzone Group presents this income separately from revenue.

	<i>Year ended 31 December</i>		
	<i>2017</i>	<i>2018</i>	<i>2019</i>
	<i>£</i>	<i>£</i>	<i>£</i>
Government grants	–	38,548	318,729
Other income	–	–	2,333
	<u>          </u>	<u>          </u>	<u>          </u>
	<u>–</u>	<u>38,548</u>	<u>321,062</u>

There are no unfulfilled conditions or other contingencies attaching to these grants. Xenzone Group did not benefit directly from any other forms of government assistance.

## 10. Operating profit

Operating profit is stated in the consolidated income statement after charging/(crediting):

	<i>Year ended 31 December</i>		
	<i>2017</i>	<i>2018</i>	<i>2019</i>
	£	£	£
Amortisation	47,135	58,820	813,550
Depreciation – owned assets	76,601	53,174	67,322
Depreciation – right of use assets	16,548	29,434	147,903
Impairment	291,896	–	–
Loss on sale of tangible fixed assets	147	11	13,674
Short-term operating lease rentals – land and buildings	4,980	4,980	5,593
Short-term operating lease rentals – other	–	–	613

## 11. Staff costs

The aggregate employee benefit expenses were as follows:

	<i>Year ended 31 December</i>		
	<i>2017</i>	<i>2018</i>	<i>2019</i>
	£	£	£
Wages and salaries	3,035,147	3,924,063	5,481,215
Social security costs	269,422	372,031	524,553
Pension costs	23,232	54,544	132,498
	<u>3,327,801</u>	<u>4,350,638</u>	<u>6,138,266</u>

Staff costs include £597,508 (2017: £Nil, 2018: £Nil) of costs in respect of employees whose value of time is capitalised within the development costs (Note 16).

The average monthly number of employees during the year was as follows:

	<i>Year ended 31 December</i>		
	<i>2017</i>	<i>2018</i>	<i>2019</i>
	£	£	£
Management and administrators	27	28	46
Developers	1	8	11
Counsellors & other direct staff	104	139	177
	<u>132</u>	<u>175</u>	<u>234</u>

## 12. Transactions with key management personnel

Key management of Xenzone Group are the members of the board of directors. Key management personnel remuneration includes the following expenses:

	<i>Year ended 31 December</i>		
	<i>2017</i>	<i>2018</i>	<i>2019</i>
	£	£	£
Wages and salaries	224,536	381,722	651,263
Social security costs	27,815	47,940	83,494
Pension costs	888	3,631	13,328
	<u>253,239</u>	<u>433,293</u>	<u>748,085</u>

### 13. Finance costs

	Year ended 31 December		
	2017	2018	2019
	£	£	£
Lease finance costs	1,676	2,544	7,409
Interest on loans measure at amortised cost	226,843	320,162	364,332
Interest on invoice discounting facility	–	–	18,944
	<u>228,519</u>	<u>322,706</u>	<u>390,685</u>

### 14. Corporation Tax

	Year ended 31 December		
	2017	2018	2019
<i>Continuing operations</i>	£	£	£
<b>Current tax:</b>			
UK corporation tax	(159,054)	(353,698)	(262,983)
<b>Total current tax credit</b>	<u>(159,054)</u>	<u>(353,698)</u>	<u>(262,983)</u>
<b>Deferred tax:</b>			
Origination and reversal of timing differences	2,785	107,986	(105,824)
Adjustment to prior year charge	15,477	–	–
Total deferred tax	<u>18,262</u>	<u>107,986</u>	<u>(105,824)</u>
<b>Tax on loss on ordinary activities</b>	<u>(140,792)</u>	<u>(245,712)</u>	<u>(368,807)</u>

Tax on loss on ordinary activities for the year is lower than the standard rate of corporate tax in the UK of 19.00%, (2017: 19.25%, 2018: 19.00%).

The differences are reconciled below:

	Year ended 31 December		
	2017	2018	2019
<i>Continuing operations</i>	£	£	£
<b>Loss on ordinary activities before taxation</b>	<u>(148,160)</u>	<u>(388,577)</u>	<u>(1,292,237)</u>
Tax at the UK rate of 19% (2018: 19%, 2017: 19.25%)	(28,491)	(73,828)	(245,525)
<i>Effect of:</i>			
Expenses not deductible	66,527	16,471	19,609
Rate changes	(7,842)	(12,391)	12,407
Group relief	(43,381)	(26,436)	(42,310)
R&D enhanced expenditure relief	(138,584)	(261,959)	(194,773)
Surrender of tax losses for R&D credit	52,066	109,768	81,617
Deferred tax asset not recognised	(56,564)	2,663	168
Prior year adjustment – deferred tax	15,477	–	–
<b>Total tax credit</b>	<u>(140,792)</u>	<u>(245,712)</u>	<u>(368,807)</u>

## 15. Deferred tax

Deferred tax balances are analysed as follows:

<i>Deferred tax balances before offset</i>	<i>As at 1 January 2017 £</i>	<i>Year ended 31 December 2017 £</i>	<i>Year ended 31 December 2018 £</i>	<i>Year ended 31 December 2019 £</i>
Deferred tax liability	(10,426)	(28,794)	(364,143)	(387,584)
Deferred tax asset	248	354	227,717	356,982
<b>Total deferred tax asset/(liability)</b>	<b>(10,178)</b>	<b>(28,440)</b>	<b>(136,426)</b>	<b>(30,602)</b>
 <i>Deferred tax balances after offset</i>	 <i>As at 1 January 2017 £</i>	 <i>Year ended 31 December 2017 £</i>	 <i>Year ended 31 December 2018 £</i>	 <i>Year ended 31 December 2019 £</i>
Deferred tax asset	–	–	–	–
Deferred tax liability	(10,178)	(28,440)	(136,426)	(30,602)
<b>Total deferred tax asset/(liability)</b>	<b>(10,178)</b>	<b>(28,440)</b>	<b>(136,426)</b>	<b>(30,602)</b>

The amounts reflect the differences between the carrying and tax amounts of the following balance sheet headings as at each year end.

Credits/(charges) during each year are as follows:

	<i>Short term temporary differences £</i>	<i>Tax losses £</i>	<i>Fixed asset temporary differences £</i>	<i>Total £</i>
At 1 January 2017 – asset/(liability)	248	–	(10,426)	(10,178)
Tax credit/(charge) in respect of current year	106	–	(18,368)	(18,262)
At 31 December 2017 – asset/(liability)	354	–	(28,794)	(28,440)
Tax credit/(charge) in respect of current year	123,355	104,008	(335,349)	(107,986)
At 31 December 2018 – asset/(liability)	123,709	104,008	(364,143)	(136,426)
Tax credit/(charge) in respect of current year	70,708	58,557	(23,441)	105,824
At 31 December 2019 – asset/(liability)	194,417	162,565	(387,584)	(30,602)

Short term temporary differences relate to interest on loans payable to Root Capital LLP (Xenzone Group's ultimate controlling party) which was unpaid at the balance sheet dates.

The reduction in the UK's corporation tax rate from 19% to 17% with effect from 1 April 2020 was substantively enacted on 6 September 2016. Deferred tax has been calculated at 17% for all periods on the basis that it is assumed that the underlying temporary differences will unwind at this rate.

It was announced in the March 2020 budget that the corporation tax rate would not fall to 17% but remain at 19% until at least April 2022. This change was not substantively enacted at any balance sheet date presented in these accounts. This change in the future tax rate is not expected to materially affect the company's deferred tax balances in the future.

## 16. Intangible fixed assets

	<i>Goodwill</i> £	<i>Internally developed software</i> £	<i>Development cost</i> £	<i>Total</i> £
<b>Cost</b>				
At 1 January 2017	1,386,450	72,346	92,500	1,551,296
Additions	–	177,956	698,770	876,726
Reclassified as held for sale	–	(74,846)	–	(74,846)
At 31 December 2017	1,386,450	175,456	791,270	2,353,176
Additions	–	1,003	1,455,738	1,456,741
At 31 December 2018	1,386,450	176,459	2,247,008	3,809,917
Additions	–	785,617	87,712	873,329
Transfers	–	2,309,316	(2,309,316)	–
At 31 December 2019	1,386,450	3,271,392	25,404	4,683,246
<b>Amortisation</b>				
At 1 January 2017	–	9,605	–	9,605
Amortisation	–	47,135	–	47,135
Impairment charge	291,896	–	–	291,896
Reclassified as held for sale	–	(34,554)	–	(34,554)
At 31 December 2017	291,896	22,186	–	314,082
Amortisation	–	58,820	–	58,820
At 31 December 2018	291,896	81,006	–	372,902
Amortisation	–	813,550	–	813,550
At 31 December 2019	291,896	894,556	–	1,186,452
<b>Net book value</b>				
At 31 December 2019	1,094,554	2,376,836	25,404	3,496,794
At 31 December 2018	1,094,554	95,453	2,247,008	3,437,015
At 31 December 2017	1,094,554	153,270	791,270	2,039,094
At 1 January 2017	1,386,450	62,741	92,500	1,541,691

The internally developed software relates to further development of the online counselling platforms. At each year end date, the recoverable amount of assets not yet available for use has been assessed for impairment in line with the accounting policy.

The directors have identified counselling services and ABA services as cash generating units during the period covered by the financial information. The carrying value of goodwill has been allocated to these based upon the acquisitions of these CGUs.

All goodwill relating to ABA services has been fully impaired during 2017 as the value in use of the CGU was below the recoverable amount, a total of £291,896 was expensed to the income statement. The remaining goodwill of £1,094,554 being attributable entirely to counselling services.

The recoverable amount of the CGU is estimated to exceed the carrying amount by approximately £16m. The recoverable amount, being value in use, of the counselling services CGU of has been determined on the following basis:

- (i) management forecasts to 31 December 2021, incorporating projected nominal sales growth of 36% for the year ended 31 December 2020 and 25% for the year ended 31 December 2021.
- (ii) 1% real growth rate thereafter.
- (iii) a pre-tax discount rate of 8%.

The effects of variations for all years within this Historical Financial Information in the above assumptions are as follows:

- (i) a reduction in assumed sales growth to December 2021 of 10% results in a reduction in surplus of value in use over carrying value of approximately £2 million;
- (ii) a reduction in nominal long-term growth rate from 1% to 0% results in a reduction of surplus of value in use over carrying value of approximately £0.134 million;
- (iii) an increase in the pre-tax discount rate of approximately 1% would result in a reduction on surplus of value in use over carrying value of approximately £2.3 million.

In management's view there is no reasonably possible change in key assumptions that would cause carrying amount of goodwill to exceed the recoverable amount.

## 17. Property, Plant and Equipment

	<i>Leasehold improvements</i>	<i>Fixtures &amp; office equipment</i>	<i>Right-of-use assets</i>	<i>Total</i>
	£	£	£	£
<b>Cost</b>				
At 1 January 2017	–	185,047	18,738	203,785
Additions	–	59,851	59,143	118,994
Reclassified as held for sale	–	(29,358)	–	(29,358)
Disposals	–	(128,016)	–	(128,016)
At 31 December 2017	–	87,524	77,881	165,405
Additions	28,957	49,584	63,444	141,985
Disposals	–	(978)	–	(978)
At 31 December 2018	28,957	136,130	141,325	306,412
Additions	5,000	140,150	328,675	473,825
Disposals	(28,957)	–	–	(28,957)
At 31 December 2019	5,000	276,280	470,000	751,280
<b>Depreciation</b>				
At 1 January 2017	–	98,397	7,949	106,346
Charge	–	76,601	16,548	93,149
Reclassified as held for sale	–	(17,868)	–	(17,868)
Disposals	–	(126,864)	–	(126,864)
At 31 December 2017	–	30,266	24,497	54,763
Charge	9,652	43,522	29,434	82,608
Disposals	–	(367)	–	(367)
At 31 December 2018	9,652	73,421	53,931	137,004
Charge	6,325	60,997	147,903	215,225
Disposals	(15,283)	–	–	(15,283)
At 31 December 2019	694	134,418	201,834	336,946

	<i>Leasehold improvements</i> £	<i>Fixtures &amp; office equipment</i> £	<i>Right-of-use assets</i> £	<i>Total</i> £
<b>Net book value</b>				
At 31 December 2019	4,306	141,862	268,166	414,334
At 31 December 2018	19,305	62,709	87,394	169,408
At 31 December 2017	–	57,258	53,384	110,642
At 1 January 2017	–	86,650	10,789	97,439

The Right of use assets are assets with a net book value of £268,166 (1 January 2017: £10,789, 2017: £53,384, 2018: £87,394) which have been funded via finance leases, further details included in Note 22.

## 18. Investments

Details of Xenzone Group's investments in which Xenzone Group Limited held 20 percent or more of the nominal value of shares as at 31 December 2017, 2018 and 2019 were as follows:

<i>Subsidiary undertakings</i>	<i>Principal Activity</i>	<i>Registered Office</i>	<i>Class</i>	<i>Shares held %</i>		
				<i>2017</i>	<i>2018</i>	<i>2019</i>
Xenzone Limited	Provision of online counselling and support to children, young people and adults in need.	The Epworth 25 City Road London EC1Y 1AA	Ordinary	100	100	100
Xenzone Alliance CIC*	Provision of online counselling and support to children, young people and adults in need.	The Epworth 25 City Road London EC1Y 1AA	Ordinary	100	100	100
Beam ABA Services Limited	Provision of online and home-based ABA programmes to improve the lives of young people with complex behavioural needs.	320 City Road London EV1V 2NZ	Ordinary	100	100	100

\* This subsidiary is not a direct subsidiary of Xenzone Group Limited.

All subsidiaries are incorporated in England and Wales.



## 19. Trade and other receivables

	<i>As at 1 January 2017 £</i>	<i>As at 31 December 2017 £</i>	<i>As at 31 December 2018 £</i>	<i>As at 31 December 2019 £</i>
Amounts falling due within one year:				
Trade receivables	289,556	431,610	589,428	1,402,959
Other receivables	93,337	1,547	8,761	6,699
Prepayments	110,631	156,440	222,876	346,232
	<u>493,524</u>	<u>589,597</u>	<u>821,065</u>	<u>1,755,890</u>

Trade receivables are pledged as security for invoice discounting facility advances of £816,599 (1 January 2017: £nil, 2017: £nil, 2018: £300,000). Xenzone Group retains the credit risk in respect of all receivables discounted under the facility.

Trade and other receivables are all current and any fair value difference is not material. Trade and other receivables are considered past due once they have passed their contracted due date. Trade and other receivables are assessed for impairment based upon the expected credit losses model. Xenzone Group's customer base is predominantly made up of NHS organisations with a high credit rating. In order to manage credit risk the Directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history. The credit losses historically incurred have been negligible and as such the risk profile of the trade receivables has not been presented.

## 20. Trade and other payables

	<i>As at 1 January 2017 £</i>	<i>As at 31 December 2017 £</i>	<i>As at 31 December 2018 £</i>	<i>As at 31 December 2019 £</i>
Amounts falling due within one year:				
Other borrowings	2,498,527	3,575,370	4,495,532	5,378,808
Lease liabilities	6,816	37,382	43,534	29,858
Trade payables	79,054	290,226	373,246	432,560
Other payables	18,147	4,723	316,260	1,110,595
Accruals	187,244	77,661	472,378	389,151
Contract liabilities	229,036	242,801	257,299	352,129
Taxation and social security	226,393	254,784	349,536	547,033
	<u>3,245,217</u>	<u>4,482,947</u>	<u>6,307,785</u>	<u>8,240,134</u>

Trade payables are all current and any fair value difference is not material.

Included within other payables is £816,599 (1 January 2017: £nil, 2017: £nil, 2018: £300,000) in relation to an invoice discounting facility. This balance is secured by way of a fixed and floating charge of the assets of Xenzone Group.

Other borrowings relate to a loan of £5,378,808 (1 January 2017: £2,498,527, 2017: £3,575,370, 2018: £4,495,532) advanced from Root Capital Fund II LP, which is denominated in GBP and bears interest at a rate of 8% per annum. The loan is repayable upon demand and has been disclosed within creditors falling due within one year.

This loan is secured by a fixed and floating charge over all assets and undertakings of the company and imposes a negative pledge which prohibits the company from creating any security interest over the assets pledged as security.

## 21. Non-current liabilities

	<i>As at</i> 1 January 2017 £	<i>As at</i> 31 December 2017 £	<i>As at</i> 31 December 2018 £	<i>As at</i> 31 December 2019 £
Amounts falling due in more than one year:				
Lease liabilities	3,979	16,137	44,101	238,667
Deferred tax liability	10,178	28,440	136,426	30,602
	<u>14,157</u>	<u>44,577</u>	<u>180,527</u>	<u>269,269</u>

## 22. Leases

Xenzone Group leases properties. With the exception of short-term leases and leases of low value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset (Note 17) and a lease liability (Notes 20 and 21).

Xenzone Group had recognised three property leases in 2019 (2018 – three, 2017 – two).

All future cashflows are included. There are no additional qualitative or quantitative changes to these leases or future leases not yet commenced.

Amounts recognised in the Consolidated Statement of Financial Position relating to leases are:

### *Right-of-use assets*

	£
<b>Net book value</b>	
At 1 January 2017	10,789
New leases recognised in the year	59,143
Depreciation charge for the year	(16,548)
At 31 December 2017	53,384
New leases recognised in the year	63,444
Depreciation charge for the year	(29,434)
At 31 December 2018	87,394
New leases recognised in the year	328,675
Depreciation charge for the year	(147,903)
At 31 December 2019	<u>268,166</u>

These are included within tangible fixed assets in the consolidated statement of financial position.

### *Lease liabilities*

	<i>As at</i> 1 January 2017 £	<i>As at</i> 31 December 2017 £	<i>As at</i> 31 December 2018 £	<i>As at</i> 31 December 2019 £
Due within one year	6,816	37,382	43,534	29,858
Due within two to five years	3,979	16,137	44,101	238,667
	<u>10,795</u>	<u>53,519</u>	<u>87,635</u>	<u>268,525</u>

### **Amounts recognised in the Consolidated Statement of Comprehensive Income**

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	<i>As at 1 January 2017 £</i>	<i>As at 31 December 2017 £</i>	<i>As at 31 December 2018 £</i>	<i>As at 31 December 2019 £</i>
Depreciation charge of right of use asset	6,530	16,548	29,434	147,903
Interest expenses (within finance costs)	274	1,676	2,544	7,409
	<u>6,804</u>	<u>18,224</u>	<u>31,978</u>	<u>155,312</u>

### **Amounts recognised in the Consolidated Cash Flows**

The consolidated statement of cash flows shows the following amounts relating to leases:

	<i>As at 31 December 2017 £</i>	<i>As at 31 December 2018 £</i>	<i>As at 31 December 2019 £</i>
Cash outflows	<u>16,419</u>	<u>29,328</u>	<u>147,785</u>

### **Low value leases**

The total minimum lease payments under non-cancellable operating leases are:

	<i>As at 1 January 2017 £</i>	<i>As at 31 December 2017 £</i>	<i>As at 31 December 2018 £</i>	<i>As at 31 December 2019 £</i>
Amounts falling due:				
Within one year	3,735	830	830	1,750
In two to five years	–	–	–	1,227
In over five years	–	–	–	–
	<u>3,735</u>	<u>830</u>	<u>830</u>	<u>2,977</u>

The amount of non-cancellable operating lease payments recognised as an expense in respect of these commitments during the year was £5,593 (1 January 2017: £4,980, 2017: £4,980, 2018: £4,980).

## **23. Financial instruments**

	<i>As at 1 January 2017 £</i>	<i>As at 31 December 2017 £</i>	<i>As at 31 December 2018 £</i>	<i>As at 31 December 2019 £</i>
Financial assets held at amortised cost:				
Trade receivables	289,556	431,610	589,428	1,402,959
Cash and cash equivalents	367,264	503,687	389,310	153,507
	<u>656,820</u>	<u>935,297</u>	<u>978,738</u>	<u>1,556,466</u>

	<i>As at</i> 1 January 2017 £	<i>As at</i> 31 December 2017 £	<i>As at</i> 31 December 2018 £	<i>As at</i> 31 December 2019 £
Financial liabilities held at amortised cost:				
Other borrowings	2,498,527	3,575,370	4,495,532	5,378,808
Trade payables	79,054	290,226	373,246	432,560
Other payables	18,147	4,723	316,260	859,785
Accruals	187,244	77,661	472,378	389,151
Lease liabilities	10,795	53,519	87,635	268,525
	<u>2,793,767</u>	<u>4,001,499</u>	<u>5,745,051</u>	<u>7,328,829</u>

## 24. Financial Risk management

Xenzone Group uses various financial instruments. These primarily include loans, an invoice financing facility, cash and various items, such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to finance Xenzone Group's operations.

The existence of these financial instruments exposes Xenzone to a number of financial risks, which are described in more detail below.

The main risk arising from Xenzone Group's financial instruments is liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below.

### (a) **Market risk**

Market risk encompasses three types of risk, being currency risk, interest rate risk and price risk. In this instance price risk has been ignored as it is not considered a material risk to the business. Xenzone Group's policies for managing interest rate risk are set out in the subsection entitled "interest rate risk" below. There is no currency risk.

### (b) **Liquidity risk**

Xenzone Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs by closely managing its cash balance.

Xenzone Group's policy throughout the period has been to ensure continuity of funding. Short-term flexibility is achieved through its invoice financing facility and loans from Root Capital.

Xenzone Group's financial liabilities including the relevant maturities are detailed below:

<i>2017</i>	<i>Less than</i> 6 months £	<i>6–12</i> months £	<i>1–2 years</i> £	<i>2–5 years</i> £	<i>Over contractual</i> 5 years £	<i>Total</i> cash flow £	<i>Carrying</i> amount £
Trade payables	290,226	–	–	–	–	290,226	290,226
Borrowings	3,575,370	–	–	–	–	3,575,370	3,575,370
Accruals	77,661	–	–	–	–	77,661	77,661
Lease liabilities	10,464	7,508	14,000	28,000	–	59,972	53,519
	<u>3,953,721</u>	<u>7,508</u>	<u>14,000</u>	<u>28,000</u>	<u>–</u>	<u>4,003,229</u>	<u>3,996,776</u>

2018	Less than	6–12	1–2 years	2–5 years	Over	Total	Carrying
	6 months	months				5 years	
	£	£	£	£	£	£	£
Trade payables	373,246	–	–	–	–	373,246	373,246
Borrowings	4,495,532	–	–	–	–	4,495,532	4,495,532
Invoice discounting facility	300,000	–	–	–	–	300,000	300,000
Accruals	472,378	–	–	–	–	472,378	472,378
Lease liabilities	23,680	23,680	33,460	14,000	–	94,820	87,635
	<u>5,664,836</u>	<u>23,680</u>	<u>33,460</u>	<u>14,000</u>	<u>–</u>	<u>5,735,976</u>	<u>5,728,791</u>

  

2019	Less than	6–12	1–2 years	2–5 years	Over	Total	Carrying
	6 months	months				5 years	
	£	£	£	£	£	£	£
Trade payables	432,560	–	–	–	–	432,560	432,560
Borrowings	5,378,808	–	–	–	–	5,378,808	5,378,808
Invoice discounting facility	816,599	–	–	–	–	816,599	816,599
Accruals	389,151	–	–	–	–	389,151	389,151
Lease liabilities	124,564	124,564	31,972	–	–	281,101	268,525
	<u>7,141,682</u>	<u>124,564</u>	<u>31,972</u>	<u>–</u>	<u>–</u>	<u>7,298,218</u>	<u>7,285,643</u>

(c) **Interest rate risk**

Xenzone Group finances its operations through a mixture of retained profits from subsidiaries, an invoice discounting facility, lease obligations and loans. Loans are provided by Root Capital at a fixed rate and are not linked to interest rates. The only instrument impacted by interest rate fluctuations is the invoice discounting facility which is regularly reviewed.

(d) **Sensitivity to interest rate fluctuations**

The only instrument impacted by interest rate fluctuations is the invoice discounting facility which has a cap of £1,200,000. A 1 per cent. increase in the interest rate applied to interest bearing borrowings would reduce profit before tax by a maximum of £12,000. A 1 per cent. reduction would have the equal and opposite effect on profit before tax.

(e) **Credit risk**

Xenzone Group's principal financial assets are cash and trade receivables. The credit risk associated with cash is limited, as the counterparties have high credit ratings assigned by international credit-rating agencies. The credit risk associated with trade receivables is also limited as customers are primarily government backed organisations such as the NHS or local councils. Credit losses historically incurred by Xenzone Group have been negligible. Xenzone Group has receivables of £111,206, (2018: £4,457, 2017: £19,861, 1 January 2017: £18,244) arising from past contractual payment terms but are not deemed impaired.

Receivables expected loss rate is analysed as follows:

		<i>Less than 1 month</i>	<i>Less than 3 months</i>	<i>More than 3 months</i>
<b>2017</b>	<i>Total</i>			
	£	£	£	£
Expected loss rate		0%	0%	0%
Gross- Trade Receivables	431,610	384,968	46,642	–
Loss allowance	–	–	–	–
	<u>431,610</u>	<u>384,968</u>	<u>46,642</u>	<u>–</u>
<b>2018</b>	<i>Total</i>	<i>Less than 1 month</i>	<i>Less than 3 months</i>	<i>More than 3 months</i>
	£	£	£	£
Expected loss rate		0%	0%	0%
Gross- Trade Receivables	589,428	542,258	42,713	4,457
Loss allowance	–	–	–	–
	<u>589,428</u>	<u>542,258</u>	<u>42,713</u>	<u>4,457</u>
<b>2019</b>	<i>Total</i>	<i>Less than 1 month</i>	<i>Less than 3 months</i>	<i>More than 3 months</i>
	£	£	£	£
Expected loss rate		0%	0%	0%
Gross- Trade Receivables	1,402,959	1,155,396	214,531	33,033
Loss allowance	–	–	–	–
	<u>1,402,959</u>	<u>1,155,396</u>	<u>214,531</u>	<u>33,033</u>

## 25. Share capital

### *Issued capital*

	<i>As at 1 January 2017</i>	<i>As at 31 December 2017</i>	<i>As at 31 December 2018</i>	<i>As at 31 December 2019</i>
<i>Number</i>	<i>Number</i>	<i>Number</i>	<i>Number</i>	<i>Number</i>
Ordinary shares of £0.0001 each	1,000,000	1,000,000	1,000,000	1,000,000
B Ordinary shares of £0.0001 each	–	–	–	164,776
	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,164,776</u>
	<i>As at 1 January 2017</i>	<i>As at 31 December 2017</i>	<i>As at 31 December 2018</i>	<i>As at 31 December 2019</i>
<i>Allotted, called up and fully paid</i>	£	£	£	£
Ordinary shares of £0.0001 each	100	100	100	100
B Ordinary shares of £0.0001 each	–	–	–	16
	<u>100</u>	<u>100</u>	<u>100</u>	<u>116</u>

### **Share rights**

The ordinary shares have attached to them full voting, dividend and capital distribution rights (including on winding up). They do not confer any right of redemption.

B ordinary shares have attached to them no voting, dividend or capital distribution rights (including on winding up). They do not confer any rights of redemption.

On 4 March 2019, 164,776 B Ordinary shares were issued with a nominal value of £0.0001 at £0.012137. These shares have no rights until a hurdle is achieved or a listing of the business occurs. Following achievement of the hurdle or listing, the B shares convey a right to receive a pre-determined management percentage of the growth above the hurdle.

### **Share premium**

This reserve reflects the share premium arising on the issue of B shares.

## **26. Defined contribution pension scheme**

Xenzone Group operates a defined contribution pension scheme. The pension cost charge for the year represented contributions payable by Xenzone Group to the scheme and amounted to £132,498 (2017 – £23,232; 2018 – £54,544). Contributions totalling £47,293 (1 January 2017 – £2,917; 2017 – £5,741; 2018 – £19,284) were payable to the scheme at the end of the year and are included in creditors.

## **27. Related party transactions**

### **Ultimate controlling party**

Xenzone Group is controlled by Root Capital LLP, incorporated in the United Kingdom.

### **Subsidiaries**

Interests in subsidiaries are set out in note 18 to the Historical Financial Information.

### **Key management personnel compensation**

Key management personnel remuneration has been set out in note 12 to the Historical Financial Information.

### **Transactions with parent entity**

The following transactions occurred with Xenzone Group's ultimate controlling party, Root Capital LLP:

	<i>As at</i> <i>31 December</i> <i>2017</i> £	<i>As at</i> <i>31 December</i> <i>2018</i> £	<i>As at</i> <i>31 December</i> <i>2019</i> £
Rent	–	75,364	54,037
Monitoring fees	144,334	271,666	224,536
	<u>144,334</u>	<u>347,030</u>	<u>278,573</u>

### **Transactions with other related parties**

The following transactions occurred with the following related parties:

	<i>As at</i> 31 December 2017 £	<i>As at</i> 31 December 2018 £	<i>As at</i> 31 December 2019 £
Purchases – Root Capital Support Services Limited	274,123	276,773	–

### **Outstanding balances arising from sales/purchases of goods and services**

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	<i>As at</i> 1 January 2017 £	<i>As at</i> 31 December 2017 £	<i>As at</i> 31 December 2018 £	<i>As at</i> 31 December 2019 £
<i>Current payables</i>				
Root Capital LLP	19,378	41,000	91,500	26,250
Root Capital Support Services Limited	15,231	24,545	24,630	–
	<u>34,609</u>	<u>65,545</u>	<u>116,130</u>	<u>26,250</u>
	<i>As at</i> 1 January 2017 £	<i>As at</i> 31 December 2017 £	<i>As at</i> 31 December 2018 £	<i>As at</i> 31 December 2019 £
<i>Current receivables</i>				
Root Capital Support Services Limited	–	–	–	200

### **Loans from related parties:**

The following balances are outstanding at the end of the reporting period in relation to loans with related parties:

	<i>As at</i> 1 January 2017 £	<i>As at</i> 31 December 2017 £	<i>As at</i> 31 December 2018 £	<i>As at</i> 31 December 2019 £
<i>Loan from Root Capital LLP</i>				
At 1 January	1,674,802	2,498,527	3,575,370	4,495,532
Loans advanced	649,100	850,000	600,000	500,000
Loan repayments made	–	–	–	–
Interest charged	174,625	226,843	320,162	383,276
Interest paid	–	–	–	–
At 31 December	<u>2,498,527</u>	<u>3,575,370</u>	<u>4,495,532</u>	<u>5,378,808</u>

### **Terms and conditions**

The loan from Root Capital LLP is secured by a fixed charge over all properties acquired in the future, all present and future licenses, intellectual property, investments, book debts, bank balances and other unsecured assets. The loan is repayable within one year of the reporting date and incurs interest at 8% per annum.

## **28. First-time adoption of IFRS**

This historical information for the years ended 31 December 2017, 31 December 2018 and 31 December 2019 is the first financial information Xenzone Group Limited has prepared in accordance with IFRS and the date of transition was 1 January 2017. In preparing this Historical



Financial Information, Xenzone Group's opening statement of financial position was prepared as at 1 January 2017.

### **Exemption from full retrospective application of IFRS**

#### *Business combinations*

Xenzone Group has elected to apply IFRS prospectively for business combinations from the date of transition to IFRS. Accordingly, it has not restated the accounting for acquisitions of subsidiaries that occurred before 1 January 2017.

### **Reconciliations of equity and net income from UK GAAP to IFRS**

#### *Reconciliation of equity*

	<i>As at</i> <i>1 January</i> <i>2017</i> £	<i>As at</i> <i>31 December</i> <i>2017</i> £	<i>As at</i> <i>31 December</i> <i>2018</i> £	<i>As at</i> <i>31 December</i> <i>2019</i> £
As reported under UK GAAP	(744,528)	(1,231,733)	(1,757,013)	(3,130,584)
Measurement and recognition differences:				
i) IFRS 16 recognition of leases	(7)	(135)	(241)	(359)
ii) Reversal of amortisation of goodwill	–	291,881	583,762	875,643
As reported under IFRS	<u>(744,535)</u>	<u>(939,987)</u>	<u>(1,173,492)</u>	<u>(2,255,300)</u>

The above adjustments made in connection with transition to IFRS have had no material impact on the cash flows of Xenzone Group.

#### *Reconciliation of total comprehensive loss*

	<i>Year ended</i> <i>31 December</i> <i>2017</i> £	<i>Year ended</i> <i>31 December</i> <i>2018</i> £	<i>Year ended</i> <i>31 December</i> <i>2019</i> £
As reported under UK GAAP	(482,204)	(525,280)	(1,375,571)
Measurement and recognition differences:			
i) IFRS 16 recognition of leases	(129)	(106)	(118)
ii) Reversal of amortisation of goodwill	291,881	291,881	291,881
As reported under IFRS	<u>(190,452)</u>	<u>(233,505)</u>	<u>(1,083,808)</u>

#### **Notes:**

- i) Relates to the inclusion of leases on the balance sheet under IFRS 16 previously treated as operating leases under FRS 102.
- ii) Reversal of amortisation of goodwill.

## **29. Post Balance Sheet Events**

On 3 April 2020, Xenzone Group Limited sold 100% of the share capital of Beam ABA Services Limited for £1, which generated a gain on disposal of £19,561.

On 30 January, the World Health Organisation (WHO) announced Coronavirus as a global health emergency. On 11 March 2020, it announced that Coronavirus was a global pandemic. The directors have put in place steps to mitigate and monitor the risks and uncertainty as they evolve. Steps taken include; closely following government guidelines, safeguarding staff by various measure such as; hand sanitisers, restricting of visitors on site, flexible working where permissible and adapting the business operations to meet the changing market conditions. The effect on Xenzone Group has been negligible given services are online.

**SECTION C: UNAUDITED INTERIM FINANCIAL INFORMATION****Condensed Consolidated Statement of Comprehensive Income for the six months ended 30 June 2020**

	<i>Six months ended 30 June 2020</i>	<i>Six months ended 30 June 2019</i>
<i>Note</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	£	£
<b>Continuing operations</b>		
Revenue	5,900,541	3,963,660
Cost of sales	<u>(2,380,121)</u>	<u>(1,830,294)</u>
<b>Gross profit</b>	3,520,420	2,133,366
Other operating income	511,613	973
Administrative expenses	(4,338,208)	(2,604,352)
Exceptional costs	(410,617)	–
Gain on disposal of subsidiary	3 19,561	–
<b>Loss from operations</b>	<u>(697,231)</u>	<u>(470,013)</u>
Finance costs	<u>(223,457)</u>	<u>(181,317)</u>
<b>Loss before tax expense</b>	(920,688)	(651,330)
Income tax credit	150,000	184,403
Loss from continuing operations	<u>(770,688)</u>	<u>(466,927)</u>
<b>Discontinued operations</b>		
Profit/(loss) from discontinued operations	<u>576</u>	<u>(109,129)</u>
<b>Net loss for the period</b>	<u>(770,112)</u>	<u>(576,056)</u>
<b>Total comprehensive loss for the period</b>	<u>(770,112)</u>	<u>(576,056)</u>
<b>Loss per share</b>		
On total profits attributable to equity holders of parent	(0.77)	(0.58)
On continuing operations	(0.77)	(0.47)
On discontinued operations	(0.00)	(0.11)

## Condensed Consolidated Statement of Financial Position as at 30 June 2020

		As at 30 June 2020 (Unaudited) £	As at 31 December 2019 £	As at 30 June 2019 (Unaudited) £
<b>Non-current assets</b>				
Intangible assets	4	3,567,599	3,496,794	3,479,591
Tangible assets	5	312,768	414,334	185,369
<b>Total non-current assets</b>		<u>3,880,367</u>	<u>3,911,128</u>	<u>3,664,960</u>
<b>Current assets</b>				
Trade and other receivables	6	3,390,573	1,755,890	1,220,892
Corporation tax asset		417,838	267,838	487,617
Cash and cash equivalents		601,253	153,507	76,527
<b>Total current assets</b>		<u>4,409,664</u>	<u>2,177,235</u>	<u>1,785,036</u>
Current assets classified as held for sale		–	292,263	171,284
<b>TOTAL ASSETS</b>		<u>8,290,031</u>	<u>6,380,626</u>	<u>5,621,280</u>
<b>Equity and liabilities</b>				
Equity attributable to equity holders of the parent				
Share capital	9	136	116	116
Share premium		4,430	1,984	1,984
Share-based payment reserve	8	100,614	–	–
Retained earnings		<u>(3,027,512)</u>	<u>(2,257,400)</u>	<u>(1,749,652)</u>
<b>Total equity</b>		<u>(2,922,332)</u>	<u>(2,255,300)</u>	<u>(1,747,552)</u>
Liabilities				
<b>Non-current liabilities</b>				
Deferred tax liabilities		30,602	30,602	83,514
Lease liabilities		14,928	238,667	28,034
<b>Total non-current liabilities</b>		<u>45,530</u>	<u>269,269</u>	<u>111,548</u>
<b>Current liabilities</b>				
Trade and other payables	7	11,032,570	8,210,276	7,105,623
Lease liabilities		134,263	29,858	37,550
<b>Total current liabilities</b>		<u>11,166,833</u>	<u>8,240,134</u>	<u>7,143,173</u>
Liabilities associated with current assets held for sale		–	126,523	114,111
<b>Total liabilities</b>		<u>11,212,363</u>	<u>8,635,926</u>	<u>7,368,832</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>8,290,031</u>	<u>6,380,626</u>	<u>5,621,280</u>

**Condensed Consolidated Statement of Changes in Equity for the six months ended 30 June 2020**

	<i>Share capital (Unaudited)</i>	<i>Share premium (Unaudited)</i>	<i>Share-based payment reserve (Unaudited)</i>	<i>Retained earnings (Unaudited)</i>	<i>Total equity (Unaudited)</i>
	£	£	£	£	£
At 1 January 2019	100	–	–	(1,173,596)	(1,173,496)
Total comprehensive income for the period	–	–	–	(576,056)	(576,056)
Issue of share capital	16	1,984	–	–	2,000
Balance at 30 June 2019	<u>116</u>	<u>1,984</u>	<u>–</u>	<u>(1,749,652)</u>	<u>(1,747,552)</u>
	<i>Share capital (Unaudited)</i>	<i>Share premium (Unaudited)</i>	<i>Share-based payment reserve (Unaudited)</i>	<i>Retained earnings (Unaudited)</i>	<i>Total equity (Unaudited)</i>
	£	£	£	£	£
At 1 January 2020	116	1,984	–	(2,257,400)	(2,255,300)
Total comprehensive income for the period	–	–	–	(770,112)	(770,112)
Issue of share capital	20	2,446	–	–	2,466
Share-based payment expense	–	–	100,614	–	100,614
Balance at 30 June 2020	<u>136</u>	<u>4,430</u>	<u>100,614</u>	<u>(3,027,512)</u>	<u>(2,922,332)</u>

## Condensed Consolidated Statement of Cash Flows for the six months ended 30 June 2020

	<i>Six months ended 30 June 2020 (Unaudited) £</i>	<i>Six months ended 30 June 2019 (Unaudited) £</i>
<b>Cash flows from operating activities:</b>		
Loss before tax	(920,112)	(760,459)
Finance costs	223,457	181,317
Depreciation of property plant and equipment	169,289	63,892
Amortisation of intangible assets	613,514	252,372
Increase in trade and other receivables	(1,468,943)	(312,680)
Increase in trade and other creditors	1,554,894	443,402
Decrease in provisions	–	(52,912)
Share-based payment expense	100,614	–
	<hr/>	<hr/>
Cash generated from operations	272,713	(185,068)
R&D Tax Credit received	–	50,484
	<hr/>	<hr/>
<b>Net cash generated from operating activities</b>	<b>272,713</b>	<b>(134,584)</b>
<b>Cash flows from investing activities:</b>		
Purchase of tangible assets	(67,723)	(79,853)
Purchase of intangible assets	(684,319)	(294,948)
	<hr/>	<hr/>
<b>Net cash flows from investing activities</b>	<b>(752,042)</b>	<b>(374,801)</b>
<b>Cash flows from financing activities:</b>		
Payment of lease liabilities	(119,334)	(22,051)
Related party loan advances	800,000	–
Net movement in invoice discounting facility	243,943	216,653
Issue of ordinary share capital	2,466	2,000
	<hr/>	<hr/>
<b>Net cash generated from financing activities</b>	<b>927,075</b>	<b>196,602</b>
	<hr/>	<hr/>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>447,746</b>	<b>(312,783)</b>
	<hr/>	<hr/>
<b>Cash and cash equivalents at start of period</b>	<b>153,507</b>	<b>389,310</b>
<b>Cash and cash equivalents at end of period</b>	<b>601,253</b>	<b>76,527</b>
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of period comprises:</b>		
Cash at bank and in hand	601,253	76,527
	<hr/>	<hr/>

## **Notes to the Unaudited Interim Financial Information**

### **1. Accounting policies**

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

The Unaudited Interim Financial Information covers Xenzone Group Limited and the entities it controlled at the end of, or during, the half year ended 30 June 2020. The last set of financial statements were reported under FRS 102, refer to the Historical Financial Information note 28, First-time adoption of IFRS. The Unaudited Interim Financial Information does not constitute financial statements as defined in Section 435 of the Companies Act 2006 and is neither audited nor reviewed.

The Unaudited Interim Financial Information has been prepared in accordance with applicable International Financial Reporting Standards as adopted by the European Union (IFRS). This Unaudited Interim Financial Information has been prepared using the measurement bases specified by IFRS for each type of asset, liability or expense. The detailed measurement bases and principal accounting policies of Xenzone Group are set out in the Historical Financial Information within this Admission Document. There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Unaudited Interim Financial Information of Xenzone Group. The presentational and functional currency of Xenzone Group is Sterling.

#### ***Use of estimates and judgements***

The preparation of the Unaudited Interim Financial Information in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the Unaudited Interim Financial Information. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are Unaudited Interim Financial Information, there have been no significant changes to the use of estimates and judgments to those set out in Historical Financial Information.

#### ***Going concern basis of accounting***

Refer going concern statement per the Historical Financial Information.

#### ***Significant accounting policies***

This set of Unaudited Interim Financial Information applies the same accounting policies as within the Historical Financial Information. Refer to note 2 of the Historical Financial Information.

### **2. Profit and Loss information**

Costs in relation to the initial public offering on the AIM market of the London Stock Exchange have been analysed as exceptional as they are not in the ordinary operating costs of Xenzone Limited.

### **3. Discontinued operations**

#### ***Description***

In December 2017, the directors announced Xenzone Group Limited intended to dispose of Beam ABA Services Limited. The disposal was expected to be completed within 12 months, but no offers were received until April 2019. From December 2017, Beam ABA Services Limited has been reported as a discontinued operation. On the 1 April 2020, Beam ABA Services Limited was sold for £1. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

### **Financial performance and cashflow information**

The results of the discontinued operations for the periods ended 30 June 2020 and 30 June 2019 are shown in the table below.

	<i>Six months ended 30 June 2020 (Unaudited) £</i>	<i>Six months ended 30 June 2019 (Unaudited) £</i>
Revenue	272,605	510,139
Expenses	<u>(272,029)</u>	<u>(619,268)</u>
Profit/(loss) from discontinued operation before tax	576	(109,129)
Gain/(loss) on measurement to fair value less costs to sell, of assets held for sale	–	–
Income tax relating to profit before tax of discontinued operations	–	–
Net loss attributable to discontinued operations	<u>576</u>	<u>(109,129)</u>

The discontinued operations results contributed the following to the cash flow:

	<i>Six months ended 30 June 2020 (Unaudited) £</i>	<i>Six months ended 30 June 2019 (Unaudited) £</i>
Net cash inflows /(outflows) from operating activities	27,075	(90,843)
Net cash inflows/(outflows) from investing activities	–	(2,246)
Net cash inflows/(outflows) from financing activities	–	–
Net cash inflows/(outflows) arising on disposal	<u>27,075</u>	<u>(93,089)</u>

### **Details of the sale of the subsidiary**

	<i>Six months ended 30 June 2020 (Unaudited) £</i>	<i>Six months ended 30 June 2019 (Unaudited) £</i>
Consideration received:		
Cash	<u>1</u>	–
Total disposal consideration	1	–
Carrying amount of net assets sold	<u>(19,560)</u>	–
Gain on sale before income tax	<u>19,561</u>	–
Income tax on gain	–	–
Gain on sale after income tax	<u>19,561</u>	–

The carrying amounts of assets and liabilities as at the date of sale (1 April 2020) were:

	<i>1 April 2020</i> <i>(Unaudited)</i> £
Intangible fixed assets	–
Tangible fixed assets	7,843
Trade and other receivables	225,462
Cash and cash equivalents	102,843
Total assets classified as held for sale	<u>336,148</u>
Trade and other payables	<u>(355,708)</u>
Total liabilities classified as held for sale	<u>(355,708)</u>
Net assets of disposal group	<u>(19,560)</u>

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation as at 30 June 2020:

	<i>As at</i> <i>30 June</i> <i>2020</i> <i>(Unaudited)</i> £	<i>As at</i> <i>30 June</i> <i>2019</i> <i>(Unaudited)</i> £
<i>Assets classified as held for sale</i>		
Intangible fixed assets	–	7,672
Tangible fixed assets	–	4,168
Trade and other receivables	–	125,367
Cash and cash equivalents	–	34,077
Total assets classified as held for sale	<u>–</u>	<u>171,284</u>
Trade and other payables	–	<u>(114,111)</u>
Total liabilities classified as held for sale	<u>–</u>	<u>(114,111)</u>
Net assets of disposal group	<u>–</u>	<u>57,173</u>



#### 4. Intangible fixed assets

	<i>Goodwill</i> (Unaudited) £	<i>Internally developed software</i> (Unaudited) £	<i>Development cost</i> (Unaudited) £	<i>Total</i> (Unaudited) £
<b>Cost</b>				
At 1 January 2020	1,386,450	3,271,392	25,404	4,683,246
Additions	–	684,319	–	684,319
Reclassified as held for sale	–	–	–	–
Transfers	–	25,404	(25,404)	–
<b>At 30 June 2020</b>	<u>1,386,450</u>	<u>3,981,115</u>	<u>–</u>	<u>5,367,565</u>
<b>Amortisation</b>				
At 1 January 2020	291,896	894,556	–	1,186,452
Amortisation	–	613,514	–	613,514
Impairment charge	–	–	–	–
Reclassified as held for sale	–	–	–	–
<b>At 30 June 2020</b>	<u>291,896</u>	<u>1,508,070</u>	<u>–</u>	<u>1,799,966</u>
<b>Net book value</b>				
<b>At 30 June 2020</b>	<u>1,094,554</u>	<u>2,473,045</u>	<u>–</u>	<u>3,567,599</u>
At 1 January 2020	<u>1,094,554</u>	<u>2,376,836</u>	<u>25,404</u>	<u>3,496,794</u>

Management assess intangible assets for impairment when there is an indicator of impairment or on at least an annual basis. Management has not identified during the period any indicators of impairment for intangible assets. Refer to Historical Financial Information note 16 for the latest annual impairment review.

#### 5. Tangible Fixed Assets

	<i>Leasehold improvements</i> (Unaudited) £	<i>Fixtures &amp; office equipment</i> (Unaudited) £	<i>Right-of- use assets</i> (Unaudited) £	<i>Total</i> (Unaudited) £
<b>Cost</b>				
At 1 January 2020	5,000	276,280	469,999	751,279
Additions	–	67,723	–	67,723
Reclassified as held for sale	–	–	–	–
Disposals	–	–	–	–
<b>At 30 June 2020</b>	<u>5,000</u>	<u>344,003</u>	<u>469,999</u>	<u>819,002</u>
<b>Depreciation</b>				
At 1 January 2020	694	134,416	201,835	336,945
Charge	1,639	48,411	119,239	169,289
Reclassified as held for sale	–	–	–	–
Disposals	–	–	–	–
<b>At 30 June 2020</b>	<u>2,333</u>	<u>182,827</u>	<u>321,074</u>	<u>506,234</u>
<b>Net book value</b>				
<b>At 30 June 2020</b>	<u>2,667</u>	<u>161,176</u>	<u>148,925</u>	<u>312,768</u>
At 1 January 2020	<u>4,306</u>	<u>141,864</u>	<u>268,164</u>	<u>414,334</u>

Included within Fixtures & office equipment are assets with a net book value of £65,337 (31 December 2019: £87,392) which have been funded via finance leases.

## 6. Trade and other receivables

	<i>As at</i> 30 June 2020 <i>(Unaudited)</i>	<i>As at</i> 31 December 2019	<i>As at</i> 30 June 2019 <i>(Unaudited)</i>
	£	£	£
<i>Amounts falling due within one year:</i>			
Trade receivables	2,375,123	1,402,959	1,035,523
Other receivables	177,549	6,699	5,482
Prepayments	837,901	346,232	179,887
	<u>3,390,573</u>	<u>1,755,890</u>	<u>1,220,892</u>

Trade receivables are pledged as security for invoice discounting facility advances of £1,060,542 (31 December 2019: £816,599, 30 June 2019: £561,563). Xenzone Group retains the credit risk in respect of all receivables discounted under the facility.

Trade and other receivables are all current and any fair value difference is not material. Trade and other receivables are considered past due once they have passed their contracted due date. Trade and other receivables are assessed for impairment based upon the expected credit losses model. Xenzone Group's customer base is predominantly made up of NHS organisations with a high credit rating. In order to manage credit risk, the Directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history. The credit losses historically incurred have been negligible and as such the risk profile of the trade receivables has not been presented.

## 7. Trade and other payables

	<i>As at</i> 30 June 2020 <i>(Unaudited)</i>	<i>As at</i> 31 December 2019	<i>As at</i> 30 June 2019 <i>(Unaudited)</i>
	£	£	£
<i>Amounts falling due within one year:</i>			
Other borrowings	6,402,265	5,378,808	4,676,848
Lease liabilities	134,263	29,858	37,550
Trade payables	634,361	432,560	306,518
Other payables	1,123,612	1,110,595	770,862
Accruals	598,664	389,151	165,253
Contract liabilities	717,649	352,129	657,371
Taxation and social security	1,556,019	547,033	528,771
	<u>11,166,833</u>	<u>8,240,134</u>	<u>7,143,173</u>

Trade payables are all current and any fair value difference is not material.

Included within other payables is £1,060,542 (31 December 2019: £816,599, 30 June 2019: £561,563) in which Xenzone Group has provided security by way of a fixed and floating charge of the assets of Xenzone Group.

Other borrowings relate to a loan of £6,402,265 (31 December 2019: £5,378,808, 30 June 2019: £4,676,848) advanced from Root Capital Fund II LP, which is denominated in GBP and bears interest at a rate of 8% per annum. The loan is repayable upon demand and has been disclosed within creditors falling due within one year.

This loan is secured by a fixed and floating charged over all assets and undertakings of the company and imposes a negative pledge which prohibits the company from creating any security interest over the assets pledged as security.

Xenzone Group's financial liabilities including the relevant maturities are detailed below

	<i>Less than 6 months</i>	<i>6-12 months</i>	<i>1-2 years</i>	<i>2-5 years</i>	<i>Over 5 years</i>	<i>Total contractual cash flow</i>	<i>Carrying amount</i>
	£	£	£	£	£	£	£
<i>30 June 2019</i>							
Trade payables	306,518	–	–	–	–	306,518	306,518
Borrowings	4,676,848	–	–	–	–	4,676,848	4,676,848
Invoice discounting facility	561,563	–	–	–	–	561,563	561,563
Accruals	165,253	–	–	–	–	165,253	165,253
Lease liabilities	23,680	16,730	23,730	7,000	–	71,140	65,584
	<b>5,733,862</b>	<b>16,730</b>	<b>23,730</b>	<b>7,000</b>	<b>–</b>	<b>5,781,322</b>	<b>5,775,766</b>

	<i>Less than 6 months</i>	<i>6-12 months</i>	<i>1-2 years</i>	<i>2-5 years</i>	<i>Over 5 years</i>	<i>Total contractual cash flow</i>	<i>Carrying amount</i>
	£	£	£	£	£	£	£
<i>31 December 2019</i>							
Trade payables	432,560	–	–	–	–	432,560	432,560
Borrowings	5,378,808	–	–	–	–	5,378,808	5,378,808
Invoice discounting facility	816,599	–	–	–	–	816,599	816,599
Accruals	389,151	–	–	–	–	389,151	389,151
Lease liabilities	124,564	124,564	31,972	–	–	281,100	268,525
	<b>7,141,682</b>	<b>124,564</b>	<b>31,972</b>	<b>–</b>	<b>–</b>	<b>7,298,218</b>	<b>7,285,643</b>

	<i>Less than 6 months</i>	<i>6-12 months</i>	<i>1-2 years</i>	<i>2-5 years</i>	<i>Over 5 years</i>	<i>Total contractual cash flow</i>	<i>Carrying amount</i>
	£	£	£	£	£	£	£
<i>30 June 2020</i>							
Trade payables	634,361	–	–	–	–	634,361	634,361
Borrowings	6,402,265	–	–	–	–	6,402,265	6,402,265
Invoice discounting facility	1,060,542	–	–	–	–	1,060,542	1,060,542
Accruals	598,664	–	–	–	–	598,664	598,664
Lease liabilities	124,564	24,972	7,000	–	–	156,536	149,191
	<b>8,820,396</b>	<b>24,972</b>	<b>7,000</b>	<b>–</b>	<b>–</b>	<b>8,852,368</b>	<b>8,845,023</b>

## 8. Share-based payment

In March 2020, 203,153 growth shares were granted to senior executives under the Share Subscription Agreement (SSA). The exercise price of each share was £ 0.012137. The shares vest on a staged basis over four years if the senior executive is still employed on such date.

The fair value at grant date is estimated using a binomial pricing model, considering the terms and conditions upon which the shares were granted. The contractual life of each share granted is four years. There is no cash settlement of the shares. The fair value of shares granted during the six months ended 30 June 2020 was estimated on the date of grant using the following assumptions:

- Dividend yield (%) 0
- Expected volatility (%) 60
- Risk-free interest rate (%) 1
- Expected life of share options (years) 4
- Weighted average share price (£) 6.29

For the six months ended 30 June 2020, Xenzone Group has recognised £100,614 of share-based payment expense in the statement of profit or loss (30 June 2019: nil).

## 9. Share capital

### *Issued capital*

	30 June 2020 <i>(Unaudited)</i>	31 December 2019	30 June 2019 <i>(Unaudited)</i>
<i>Number</i>			
Ordinary shares of £0.0001 each	1,000,000	1,000,000	1,000,000
B Ordinary shares of £0.0001 each	367,928	164,776	164,776
<i>Amount</i>			
Ordinary shares of £0.0001 each	100	100	100
B Ordinary shares of £0.0001 each	36	16	16
	<u>136</u>	<u>116</u>	<u>116</u>

### *Share rights*

The ordinary shares have attached to them full voting, dividend and capital distribution rights (including on winding up). They do not confer any right of redemption.

B ordinary shares have attached to them no voting, dividend or capital distribution rights (including on winding up). They do not confer any rights of redemption.

On 3 April 2020, 203,152 B Ordinary shares were issued with a nominal value of £0.0001 at £0.012137. These shares have no rights until a hurdle is achieved or a listing of the business occurs. Following achievement of the hurdle or listing, the B shares convey a right to receive a pre-determined management percentage of the growth above the hurdle.

## 10. Related parties

### *Ultimate controlling party*

Xenzone Group is controlled by Root Capital LLP, incorporated in the United Kingdom.

### *Subsidiaries*

Interests in subsidiaries:

Xenzone Limited and Xenzone Alliance CIC

### *Key management personnel compensation*

Key management are the directors of Xenzone Group

### *Transactions with parent entity*

The following transactions occurred with Xenzone Group's ultimate controlling party, Root Capital LLP:

	Six months ended 30 June 2020 <i>(Unaudited)</i> £	Six months ended 30 June 2019 <i>(Unaudited)</i> £
Rent	–	44,899
Monitoring fees	74,722	152,500
	<u>74,722</u>	<u>197,399</u>

### **Outstanding balances arising from sales/purchases of goods and services**

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	30 June 2020 (Unaudited)	31 December 2019	30 June 2019 (Unaudited)
<i>Current payables</i>	£	£	£
Root Capital LLP	<u>104,860</u>	<u>26,250</u>	<u>122,000</u>
	30 June 2020 (Unaudited)	31 December 2019	30 June 2019 (Unaudited)
<i>Current receivables</i>	£	£	£
Beam ABA Services Limited	<u>165,740</u>	<u>–</u>	<u>–</u>

### **Sale of Subsidiary to related parties**

On the 1 April 2020, Beam ABA Services Limited was sold to Root Capital LLP for £1. See note 3.

### **Loans from related parties:**

The following balances are outstanding at the end of the reporting period in relation to loans with related parties:

	30 June 2020 (Unaudited)	31 December 2019	30 June 2019 (Unaudited)
<i>Loan from Root Capital LLP</i>	£	£	£
At 1 July	5,378,808	4,676,848	4,495,531
Loans advanced	800,000	500,000	–
Loan repayments made	–	–	–
Interest charged	223,457	201,960	181,317
Interest paid	–	–	–
At 30 June	<u>6,402,265</u>	<u>5,378,808</u>	<u>4,676,848</u>

### **Terms and conditions**

The loan from Root Capital LLP is secured by a fixed charge over all properties acquired in the future, all present and future licenses, intellectual property, investments, book debts, bank balances and other unsecured assets. The loan is repayable within one year of the reporting date and incurs interest at 8% per annum.

## PART IV

### CORPORATE GOVERNANCE

As a company that will be admitted to trading to AIM, the Company is not required to comply with a particular corporate governance code. However, it is required to provide details of the corporate governance code it has decided to apply and state how it will comply with that code.

The Directors support high standards of corporate governance and have decided to comply with the QCA Code. Set out below are details of how the Company will comply with the QCA Code with effect from Admission.

#### **Principle 1: Establish a strategy and business model which promote long-term value for shareholders**

The Group's business model and strategy is set out in Part I of this document. The Board will hold at least one session each year dedicated to strategy, which will include input from senior members of the Kooth team and any necessary external advisers. A strategic report reflecting the outcome of such sessions will be included in the Company's annual report and accounts.

The principal risks facing the Group are set out in Part II of this document. The Board will identify and deploy mitigation steps to manage these risks and confront day-to-day challenges of the business post-Admission. See in addition, Principle 4 below.

#### **Principle 2: Seek to understand and meet shareholder needs and expectations**

The Board is committed to open and ongoing engagement with the Company's Shareholders. The Board will communicate with Shareholders through:

- the annual report and accounts;
- the interim and full-year results announcements;
- trading updates (where required or appropriate);
- the annual general meetings; and
- the Company's investor relations website (in particular, the "RNS News" and "AIM Rule 26" pages).

From Admission, the Chief Financial Officer will be the primary contact for Shareholders and there will be a dedicated e-mail address for shareholder questions and comments.

Regular meetings will be held between the Chief Executive Officer, Chief Financial Officer and institutional investors and analysts to ensure that the Company's strategy, financials and business developments are communicated effectively.

The Board intends to engage with Shareholders who do not vote in favour of resolutions at annual general meetings to understand their motivation.

#### **Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success**

The Group takes its corporate social responsibilities very seriously and is focused on maintaining effective working relationships across a wide range of stakeholders including employees, existing and new customers, academics and its advisory group that it collaborates with as part of its business strategy, in order to achieve long-term success.

The Executive Directors will maintain an ongoing dialogue with stakeholders to inform strategy and the day-to-day running of the business.

**Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation**

The principal risks facing the Group and the industry in which it operates are set out in Part II of this document. These risks will be reviewed at least once a year and included in the annual report and accounts.

The Company currently operates a risk framework including a risk register that is managed by Kate Newhouse, the Chief Operating Officer. The risk register is intended to be signed off annually by the Board and included in the annual report and accounts. The Chief Executive Officer and Audit Committee intend to review the risk register regularly throughout the year.

**Principle 5: Maintain the board as a well-functioning, balanced team led by the chair**

On Admission, the Board will comprise five directors:

- Peter Whiting (Chair), Dame Sue Bailey and Simon Philips as Non-Executive Directors; and
- two Executive Directors.

The biographies of the Directors are provided in Part I of this document.

Peter Whiting and Dame Sue Bailey are considered by the Board to be independent Non-Executive Directors and were selected with the objective of bringing experience and independent judgement to the Board.

The Board has been constructed to ensure that it has the right balance of skills, experience, independence and knowledge of the business.

The Board is also supported by the Audit Committee and Remuneration Committee. Details of these committees are set out in Part I of this document.

The Board will meet regularly and at least 10 times a year. Processes are in place to ensure that each Director is, at all times, provided with such information as is necessary for him/her to discharge his/her duties.

**Principle 6: Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities**

The skills and experience of the Directors are summarised in their biographies set out in Part I of this document.

The Directors believe that the Board has the appropriate balance of diverse skills and experience in order to deliver on its core objectives.

**Principle 7: Evaluate board performance based on clear and relevant objectives, seeking continuous improvement**

The Independent Non-Executive Chair is responsible for ensuring an effective Board. Post-Admission, the Company intends to establish a formal process for evaluating the performance of the Board, the committees, and the individual Directors against its objectives to ensure that members of the Board provide relevant and effective contribution.

**Principle 8: Promote a corporate culture that is based on ethical values and behaviours**

The Group promotes a culture of integrity, honesty, trust and respect and all employees of the Group are expected to operate in an ethical manner in all of their internal and external dealings.

The staff handbook and policies promote this culture and include such matters as whistleblowing, social media, anti-bribery and corruption, communication and general conduct of employees.

The Board takes responsibility for the promotion of ethical values and behaviours throughout the Group, and for ensuring that such values and behaviours guide the objectives and strategy of the Company.

**Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the board**

The Independent Non-Executive Chair leads the Board and is responsible for its governance structures, performance and effectiveness. The Non-Executive Directors are responsible for bringing independent and objective judgement to Board decisions. The Chief Financial Officer is the primary contact for the Company's Shareholders and responsible for ensuring that the link between the Board and the shareholders is strong and efficient. The Executive Directors are responsible for the operation of the business and delivering the strategic goals agreed by the Board.

The Board has adopted Terms of Reference, which have a clear and specific schedule of matters reserved for the Board, including corporate governance, strategy, major investments, financial reporting and internal controls.

The Board is supported by the Audit Committee and Remuneration Committee. Details of these committees and their responsibilities are set out in Part I of this document. From time to time, separate committees may be set up by the Board in order to consider and address specific issues, as and when they arise.

The Board intends to review the governance framework on an annual basis to ensure it remains effective and appropriate for the business going forward.

**Principle 10: Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders**

The Company intends to use the following principal methods of communication with its Shareholders:

- the annual report and accounts;
- the interim and full-year results announcements;
- trading updates (where required or appropriate)
- the annual general meetings; and
- the Company's investor relations website (in particular, the "RNS News" and "AIM Rule 26" pages which will go live on Admission).

The Company's website is updated on a regular basis with information regarding the Group's activities and performance. The Company's reports, presentations, notices of annual general meetings, and results of voting at shareholder meetings will also be made available on the website.



## PART V

### ADDITIONAL INFORMATION

#### 1. Responsibility

The Company and the Directors, whose names appear on page 9 of this document, accept responsibility for the information contained in this document and for compliance with the AIM Rules. To the best of the knowledge and belief of the Company and the Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. Incorporation and share capital

##### 2.1 *The Company*

- (a) The Company was incorporated in England and Wales on 19 March 2020 as a private company limited by shares under the Companies Act with the name Hamsard 3564 Limited and with registered number 12526594.
- (b) On 24 August 2020, by a special resolution of the Company, the Company was re-registered as a public company limited by shares and the name of the Company was changed to Kooth plc.
- (c) The Company's registered office is at The Epworth, 25 City Road, London EC1Y 1AA, telephone number (+44/0) 20 3984 9337.
- (d) The principal legislation under which the Company operates, and pursuant to which the Shares (including the Placing Shares) have been or will be created (as applicable), is the Companies Act and the subordinate legislation made under it.
- (e) The financial year end of the Company is 31 December.
- (f) The business of the Company and its principal activity is to act as the holding company of the Group.

##### 2.2 *Corporate structure*

The Company is the holding company of the Group. The Company has the following significant subsidiaries, being all subsidiaries of the Group other than joint venture and dormant entities, which are, except where stated to the contrary, wholly-owned by the Company:

<i>Company name</i>	<i>Place of incorporation</i>	<i>Holding (per cent.)</i>	<i>Principal activity</i>
Xenzone Group Limited	England and Wales	100	Holding Company
Xenzone Limited	England and Wales	100	Provision of digital mental health services
Xenzone Alliance C.I.C.	England and Wales	100	Dormant

##### 2.3 *Share capital*

The share capital history of the Company is as follows:

- (a) on incorporation on 19 March 2020, the issued share capital of the Company was one ordinary share of £1.00 in the capital of the Company;

- (b) on 6 August 2020, pursuant to an allotment of 2 ordinary shares of £1.00 each and a subsequent consolidation of the share capital, the issued share capital of the Company was 1 ordinary share of £3.00;
- (c) on 6 August 2020, pursuant to, and in connection with, a share for share exchange agreement entered into between the Company and the shareholders of Xenzone Group Limited:
  - (i) the 1 ordinary share of £3.00 in the capital of the Company was reclassified into 1 B ordinary share of £3.00; and
  - (ii) the following shares were issued in the capital of the Company:
    - (A) 1,000,000 A ordinary shares of £3.00 each; and
    - (B) 367,927 B ordinary shares of £3.00 each,
 so as to give a total issued share capital of the Company of 1,000,000 A ordinary shares of £3.00 each and 367,928 B ordinary shares of £3.00 each;
- (d) on 7 August 2020 the Company undertook a reduction of capital pursuant to which the Company's share capital was reduced from a total aggregate nominal amount of £4,103,784 to a total aggregate nominal amount of £1,367,928 by cancelling and extinguishing capital to the extent of:
  - (i) £2.00 on each issued fully paid up A ordinary share of £3.00 each in the capital of the Company by reducing the nominal value of each issued fully paid up A ordinary share from £3.00 to £1.00; and
  - (ii) £2.00 on each issued fully paid up B ordinary share of £3.00 each in the capital of the Company by reducing the nominal value of each issued fully paid up B ordinary share from £3.00 to £1.00,
 such reduction being effective on 13 August 2020.

2.4 As at the date of this document, the share capital of the Company comprises 1,000,000 A ordinary shares of £1.00 each and 367,928 B ordinary shares of £1.00 each.

2.5 In connection with Admission, the Company will undertake a reorganisation of its share capital ("**Reorganisation**"). The Reorganisation is conditional upon, and will be effective immediately prior to, Admission. Pursuant to the Reorganisation:

- (a) the 1,000,000 A ordinary shares of £1.00 each and 367,928 B ordinary shares of £1.00 each in the issued share capital of the Company will be subdivided into 20,000,000 A ordinary shares of £0.05 each and 7,358,560 B ordinary shares of £0.05 each;
- (b) the newly subdivided share capital of the Company will be reclassified into 25,055,776 ordinary shares of £0.05 each and 2,302,784 deferred shares of £0.05 each; and
- (c) the newly reclassified 2,302,784 deferred shares of £0.05 each will be subsequently bought back and cancelled by the Company.

2.6 On completion of the Reorganisation, the issued share capital of the Company will be £1,252,788.80, comprising 25,055,776 ordinary shares of £0.05 each.

2.7 Immediately following Admission, the Company's issued share capital (including the New Shares to be issued pursuant to the Placing) will be £1,652,788.80, comprising 33,055,776 ordinary shares of £0.05 each (all of which will be fully paid up or credited as fully paid up).

2.8 On 25 August 2020, by ordinary and special resolutions of the Company, in each case conditional on Admission:

(a) the Directors were generally and unconditionally authorised pursuant to section 551 of the Companies Act, to exercise all the powers of the Company to allot shares or grant rights to subscribe for or to convert any security into shares:

(i) up to an aggregate nominal value of £550,929.60; and

(ii) up to an aggregate nominal value of £1,101,859.20 (such amount to be reduced by any allotments made under sub-paragraph (i) above) in connection with a rights issue in favour of the holders of Shares in proportion (as nearly as may be practicable) to their existing holdings on the record date for such allotment,

such power expiring at the earlier of the conclusion of the first annual general meeting of the Company held after the date of passing of the resolution and the date which is fifteen months after the date on which the resolution was passed, save that the Company may before such expiry make an offer or agreement which would or might require shares to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the authority had not expired;

(b) the Directors were empowered to allot equity securities (within the meaning of section 560(1) of the Companies Act) for cash pursuant to the authorities conferred in paragraph 2.8(a) above, pursuant to section 570 and section 573 of the Companies Act in substitution for all prior powers conferred upon them, but without prejudice to any allotments made pursuant to the terms of such powers, as if section 561(1) of the Companies Act did not apply to any such allotment, provided that this power shall be limited to:

(i) the allotment of equity securities and sale of treasury shares for cash in connection with an offer of, or invitation to apply for, equity securities in favour of holders of Shares in proportion (as nearly as may be practicable) to their existing holdings and to holders of other equity securities as required by the rights attached to those securities or as the Directors otherwise consider necessary, but subject to such restrictions or other arrangements as the Directors deem necessary or appropriate in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange;

(ii) the allotment of Shares (other than under sub paragraph (i) above) up to an aggregate nominal amount of £165,278.88 representing up to a maximum of 10 per cent. of the issued ordinary share capital of the Company immediately following Admission,

such power expiring at the earlier of the conclusion of the first annual general meeting of the Company held after the date of passing of the resolution and the date which is fifteen months after the date on which the resolution was passed, save that the Company may before the end of such period make an offer or agreement which would or might require equity securities to be allotted after expiry of the power and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power had not expired; and

(c) the Directors were authorised to make market purchases of up to 10 per cent. of the issued ordinary share capital of the Company immediately following Admission.

2.9 As at the date of this document, the Directors do not have any present intention of exercising the authorities referred to in paragraph 2.8 (a), (b) or (c) above other than for the purpose of the Reorganisation and to issue the New Shares.

- 2.10 As at the date of this document, the Company does not have an authorised share capital and there is therefore no authorised but unissued share capital.
- 2.11 Save as set out in this Part V:
- (a) the Company does not have in issue any securities not representing share capital.
  - (b) no share or loan capital of the Company is under option or is the subject of an agreement, conditional or unconditional, to be put under option;
  - (c) no person has any preferential subscription rights for any share capital of the Company;
  - (d) there are no Shares in the capital of the Company currently in issue with a fixed date on which entitlement to a dividend arises, and there are no arrangements in place whereby future dividends are waived or agreed to be waived;
  - (e) the Company does not hold any of its own Shares as treasury shares and none of the Company's subsidiaries hold any Shares;
  - (f) the Company has no convertible debt securities, exchangeable debt securities or debt securities with warrants in issue;
  - (g) there are no acquisition rights or obligations over the unissued share capital of the Company and there is no undertaking to increase the share capital of the Company;
  - (h) no commissions, discounts, brokerages, or other special terms have been granted by the Company since its incorporation in connection with the issue or sale of any share or loan capital of the Company; and
  - (i) no shares in the capital of the Company have been issued otherwise than as fully paid.

### **3. Articles of Association**

The Articles, which were adopted by a special resolution of the Company on 25 August 2020, subject to and with effect from Admission, are available on the Company's website, [www.koothplc.com](http://www.koothplc.com). The Articles do not contain any restrictions on the objects or purpose of the Company.

The Articles contain certain provisions, the material provisions of which are set out below. This is a description of significant rights and does not purport to be complete or exhaustive.

#### **3.1 Voting rights**

- (a) Subject to any special terms as to voting upon which any Shares may be issued, or may for the time being be held and any restriction on voting referred to below, every Shareholder present in person, by proxy (regardless of the number of members for whom he is a proxy) or by a duly authorised corporate representative at a general meeting of the Company shall have one vote on a show of hands and, on a poll, every Shareholder present in person, by proxy, or by a duly authorised corporate representative, shall have one vote for every Share of which he is the holder, proxy or representative.
- (b) The duly authorised representative of a corporate shareholder may exercise the same powers on behalf of that corporation as it could exercise as if it were an individual shareholder.
- (c) A Shareholder is not entitled to vote unless all calls or other sums due from them have been paid.

- (d) Unless the Board determines otherwise, a Shareholder is also not entitled to attend or vote at meetings of the Company in respect of any shares held by them in relation to which he or any other person appearing to be interested in such shares has been duly served with a notice under section 793 of the Companies Act and, having failed to comply with such notice within the period specified in such notice (being not less than 28 days from the date of service of such notice (or, where the shares represent at least 0.25 per cent. of their class, 14 days)), is served with a disenfranchisement notice. Such disenfranchisement will apply only for so long as the notice from the Company has not been complied with or until the Company has withdrawn the disenfranchisement notice, whichever is the earlier.

### 3.2 **General meetings**

- (a) The Company must hold an annual general meeting each year in addition to any other general meetings held in the year. The Directors can call a general meeting at any time.
- (b) At least 21 clear days' written notice must be given for every annual general meeting. For all other general meetings, not less than 14 clear days' written notice must be given. The notice for any general meeting must state: (i) whether the meeting is an annual general meeting or general meeting; (ii) the date, time and place of the meeting; (iii) the general nature of the business of the meeting; (iv) any intention to propose a resolution as a special resolution; and (v) that a member entitled to attend and vote is entitled to appoint one or more proxies to attend, to speak and to vote instead of them and that a proxy need not also be a member. All members who are entitled to receive notice under the Articles must be given notice.
- (c) Before a general meeting starts, there must be a quorum, being two members present in person or by proxy.
- (d) Each Director may attend and speak at any general meeting.
- (e) Where the Company has given an electronic address in any notice of meeting, any document or information relating to proceedings at the meeting may be sent by electronic means to that address, subject to any conditions or limitations specified in the relevant notice of meeting.

### 3.3 **Dividends and other distributions**

- (a) All dividends shall be paid in British pounds sterling.
- (b) Subject to the Companies Act, the Company may, by ordinary resolution, declare dividends to be paid to members of the Company according to their rights and interests in the profits of the Company available for distribution, but no dividend shall be declared in excess of the amount recommended by the Board.
- (c) Subject to the Companies Act, the Board may from time to time pay to the Shareholders of the Company such interim dividends as appear to the Board to be justified by the profits available for distribution and the position of the Company, on such dates and in respect of such periods as it thinks fit.
- (d) Except insofar as the rights attaching to, or the terms of issue of, any share otherwise provide (no such shares presently being in issue), all dividends shall be apportioned and paid pro rata according to the amounts paid or credited as paid up (other than in advance of calls) on the shares during any portion or portions of the period in respect of which the dividend is paid.
- (e) Any dividend unclaimed after a period of 12 years from the date of declaration shall be forfeited and shall revert to the Company.

- (f) The Board may, if authorised by an ordinary resolution, 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.
- (g) The Board may withhold dividends payable on shares representing not less than 0.25 per cent. by number of the issued shares of any class (calculated exclusive of treasury shares) after there has been a failure to comply with any notice under section 793 of the Companies Act requiring the disclosure of information relating to interests in the shares concerned as referred to in paragraph 3.9 below.

### 3.4 **Return of capital**

On a voluntary winding-up of the Company, the liquidator may, with the sanction of a special resolution of the Company and subject to the Companies Act and the Insolvency Act 1986 (as amended), divide amongst the Shareholders of the Company in specie the whole or any part of the assets of the Company, or vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as the liquidator, with the like sanction, shall determine.

### 3.5 **Transfer of shares**

- (a) The Articles provide for shares to be held in a system for holding shares in uncertificated form, for example CREST (such shares being referred to as “**Participating Securities**”). The Shares are freely transferable, save as set out in this paragraph 3.5.
- (b) In the case of shares represented by a certificate (“**Certificated Shares**”), the transfer shall be made by an instrument of transfer in the usual form or in any other form which the Board may approve. A transfer of a Participating Security need not be in writing, but shall comply with such rules as the Board may make in relation to the transfer of such shares, a CREST transfer being acceptable under the current rules.
- (c) The instrument of transfer of a Certificated Share shall be executed by or on behalf of the transferor and (in the case of a partly paid share) by or on behalf of the transferee, and the transferor is deemed to remain the holder of the share until the name of the transferee is entered in the register of members.
- (d) The Board may refuse to register a transfer unless:
  - (i) in the case of a Certificated Share, the instrument of transfer, duly stamped (if required) is lodged at the registered office of the Company or at some other place as the Board may appoint accompanied by the relevant share certificate and such other evidence of the right to transfer as the Board may reasonably require;
  - (ii) in the case of a Certificated Share, the instrument of transfer is in respect of only one class of share; and
  - (iii) in the case of a transfer to joint holders of a Certificated Share, the transfer is in favour of not more than four such transferees.
- (e) In the case of Participating Securities, the Board may refuse to register a transfer if the Uncertificated Securities Regulations 2001 (as amended) allow it to do so, and must do so where such regulations so require.
- (f) The Board may also decline to register a transfer of shares if they represent not less than 0.25 per cent. by number of their class and there has been a failure to comply with a notice requiring disclosure of interests in the shares (as referred to in paragraph 3.9 below) unless the Shareholder has not, and proves that no other person

has, failed to supply the required information. Such refusal may continue until the failure has been remedied, but the Board shall not decline to register:

- (i) a transfer in connection with a bona fide sale of the beneficial interest in any shares to any person who is unconnected with the Shareholder and with any other person appearing to be interested in the share;
- (ii) a transfer pursuant to the acceptance of an offer made to all the Company's Shareholders or all the Shareholders of a particular class to acquire all or a proportion of the shares or the shares of a particular class; or
- (iii) a transfer in consequence of a sale made through a recognised investment exchange or any stock exchange outside the UK on which the Company's shares are normally traded.

### 3.6 **Allotment**

The Company may from time to time pass an ordinary resolution authorising, in accordance with section 551 of the Companies Act, the Board to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to the maximum nominal amount specified in the resolution. The authority shall expire on the day specified in the resolution (not being more than five years from the date on which the resolution is passed).

Subject (other than in relation to the sale of treasury shares) to the Board being generally authorised to allot shares and grant rights to subscribe for or to convert any security into shares in the Company in accordance with section 551 of the Companies Act, the Company may from time to time resolve, by special resolution, that the Board be given power to allot equity securities for cash as if section 561 of the Companies Act did not apply to the allotment but that power shall be limited: (A) to the allotment of equity securities in connection with a rights issue; and (B) to the allotment (other than in connection with a rights issue) of equity securities having a nominal amount not exceeding in aggregate the sum specified in the special resolution.

### 3.7 **Variation of rights**

- (a) Subject to the Companies Act, all or any of the rights attached to any class of share may (unless otherwise provided by the terms of issue of shares of that class) be varied or abrogated (whether or not the Company is being wound up) either with the written consent of the holders of not less than three-quarters in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of such holders. The quorum at any such general meeting is two persons together holding or representing by proxy at least one-third in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) and at an adjourned meeting the quorum is one holder present in person or by proxy, whatever the amount of his shareholding. Any holder of shares of the class in question present in person or by proxy may demand a poll. Every holder of shares of the class shall be entitled, on a poll, to one vote for every share of the class held by them. Except as mentioned above, such rights shall not be varied.
- (b) The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the Articles or the conditions of issue of such shares, be deemed to be varied by the creation or issue of new shares ranking *pari passu* therewith or subsequent thereto.

### 3.8 **Share capital and changes in capital**

- (a) Subject to and in accordance with the provisions of the Companies Act, the Company may issue redeemable shares.
- (b) Without prejudice to any special rights previously conferred on the holders of any existing shares, any share may be issued with such rights or such restrictions as the Company shall from time to time determine by ordinary resolution.
- (c) Subject to the provisions of the Articles and the Companies Act, the power of the Company to offer, allot and issue any shares lawfully held by the Company or on its behalf (such as shares held in treasury) shall be exercised by the Board at such time and for such consideration and upon such terms and conditions as the Board shall determine.
- (d) The Company may by ordinary resolution alter its share capital, in accordance with the Companies Act. The resolution may determine that, as between holders of shares resulting from a sub-division, any of the shares may have any preference or advantage or be subject to any restriction as compared with the others.
- (e) Subject to the Companies Act and to any rights conferred on the holders of any class of shares, the Company may purchase all or any of its own shares of any class (including any redeemable shares). The Company may only purchase Shares out of distributable reserves or the proceeds of a new issue of shares made for the purpose of funding the repurchase.

### 3.9 **Disclosure of interests in shares**

- (a) Section 793 of the Companies Act provides a public company with the statutory means to ascertain the persons who are, or have within the last three years been, interested in its relevant share capital and the nature of such interests. When a Shareholder receives a statutory notice of this nature, he or she has 28 days (or 14 days where the shares represent at least 0.25 per cent. of their class) to comply with it, failing which the Company may decide to restrict the rights relating to the relevant shares and send out a further notice to the holder (known as a “**disenfranchisement notice**”). The disenfranchisement notice will state that the identified shares no longer give the Shareholder any right to attend or vote at a Shareholders’ meeting or to exercise any other right in relation to Shareholders’ meetings.
- (b) Once the disenfranchisement notice has been given, if the Directors are satisfied that all the information required by any statutory notice has been supplied, the Company shall, within not more than seven days, withdraw the disenfranchisement notice.
- (c) The Articles do not restrict in any way the provisions of section 793 of the Companies Act.

### 3.10 **Non-UK shareholders**

Shareholders with addresses outside the UK are not entitled to receive notices from the Company unless they have given the Company an address within the UK at which such notices shall be served.

### 3.11 **Untraced shareholders**

Subject to various notice requirements, the Company may sell any of a Shareholder’s Shares in the Company at the best price reasonably obtainable if, during a period of 12 years, at least three dividends (either interim or final) on such shares have become payable and no cheque or warrant or other method of payment for amounts payable in respect of such Shares sent and payable in a manner authorised by the Articles has been



cash or effected and no communication has been received by the Company from the member or person concerned.

### 3.12 **Borrowing powers**

- (a) The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any of its undertaking, property and assets (present and future) and uncalled capital to the greater of £10,000,000 and two times the aggregate of the Company's paid up share capital and reserves (adjusted as may be necessary in respect of any variation in the paid up share capital or reserves of the Company since the date of its latest audited balance sheet) and, subject to any relevant statutes, to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligations of the Company or any third party.
- (b) These borrowing powers may be varied by an alteration to the Articles. Any variation of the Articles would require a special resolution of the Shareholders.

### 3.13 **Directors**

- (a) Subject to the Companies Act, and provided they have made the necessary disclosures, a Director may be a party to or otherwise directly or indirectly interested in any transaction or arrangement with the Company or in which the Company is otherwise interested or a proposed transaction or arrangement with the Company.
- (b) The Board has the power to authorise any matter which would or might otherwise constitute or give rise to a breach of the duty of a Director under section 175 of the Companies Act to avoid a situation in which they have, or can have, a direct or indirect interest that conflicts, or possibly may conflict with, the interests of the Company. Any such authorisation will only be effective if the matter is proposed in writing for consideration in accordance with the Board's normal procedures, any requirement about the quorum of the meeting is met without including the Director in question and any other interested director and the matter was agreed to without such directors voting (or would have been agreed to if the votes of such directors had not been counted). The Board may impose terms or conditions in respect of its authorisation.
- (c) Save as mentioned below, a Director shall not vote in respect of any matter in which they have, directly or indirectly, any material interest (otherwise than by virtue of their interests in shares or debentures or other securities of, or otherwise in or through, the Company) or a duty which conflicts or may conflict with the interests of the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which they are debarred from voting.
- (d) A Director shall (in the absence of material interests other than those indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters:
  - (i) the giving of any guarantee, security or indemnity to them or any other person in respect of money lent to, or an obligation incurred by them or any other person at the request of or for the benefit of, the Company or any of its subsidiaries;
  - (ii) the giving of any guarantee, security or indemnity to a third party in respect of an obligation of the Company or any of its subsidiaries for which they themselves have assumed any responsibility in whole or in part alone or jointly under a guarantee or indemnity or by the giving of security;

- (iii) any proposal concerning their being a participant in the underwriting or sub-underwriting of an offer of shares, debentures or other securities by the Company or any of its subsidiaries;
  - (iv) any proposal concerning any other company in which they are interested, directly or indirectly, and whether as an officer or Shareholder or otherwise, provided that they are not the holder of or beneficially interested in 1 per cent. or more of any class of the equity share capital of such company (or of any corporate third party through which his interest is derived) or of the voting rights available to members of the relevant company (any such interest being deemed to be a material interest in all circumstances);
  - (v) any arrangement for the benefit of employees of the Company (and/or the members of their families (including a spouse or civil partner or a former spouse or former civil partner) or any person who is or was dependent on such persons including but without being limited to a retirement benefits scheme and an employees' share plan) which does not accord to any Director any privilege or advantage not generally accorded to the employees to which such arrangement relates; and
  - (vi) any proposal concerning any insurance which the Company is empowered to purchase and/or maintain for the benefit of any of the Directors or for persons who include Directors, provided that for that purpose "insurance" means only insurance against liability incurred by a Director in respect of any act or omission by them in the execution of the duties of their office or otherwise in relation thereto or any other insurance which the Company is empowered to purchase and/or maintain for, or for the benefit of any groups of persons consisting of or including, Directors.
- (e) The Directors shall be paid such remuneration (by way of salary, commission, participation in profits or otherwise) not exceeding in aggregate £500,000 per annum (or such larger sum as the Company may, by ordinary resolution, determine) as any committee authorised by the Board may determine and either in addition to or in lieu of his remuneration as Director. The Directors shall also be entitled to be repaid by the Company all hotel expenses and other expenses of travelling to and from board meetings, committee meetings, general meetings or otherwise incurred while engaged in the business of the Company or his duties as Director. Any Director who by request of the Board performs special services or goes or resides abroad for any purposes of the Company may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the Board may determine.
- (f) The Company may provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, to or for the benefit of past directors who held executive office or employment with the Company or a predecessor in business of any of them or to or for the benefit of persons who are or were related to or dependents of any such Directors.
- (g) The Company may indemnify a Director and a director of an associated company (as defined in the Companies Act) against all losses and liabilities which they may sustain in the execution of the duties of their office, except to the extent that such an indemnity is not permitted by sections 232 or 234 of the Companies Act. Subject to sections 205(2) to (4) of the Companies Act, the Company may provide a Director (or a director of an associated company) with funds to meet their expenditure in defending any civil or criminal proceedings brought or threatened against them in relation to the Company. The Company may also provide a Director with funds to meet expenditure incurred in connection with proceedings brought by a regulatory authority.

- (h) There is no age limit for Directors.
- (i) Unless and until otherwise determined by ordinary resolution of the Company, the Directors (other than alternate Directors) shall not be less than three in number and not subject to a maximum.
- (j) Directors will retire from office at each annual general meeting.

### 3.14 **Redemption**

The Shares are not redeemable.

### 3.15 **Electronic communication**

The Company may communicate electronically with its members in accordance with the provisions of the Electronic Communications Act 2000.

## 4. **Share incentive schemes**

### 4.1 **Overview of the Plans**

Following Admission, the Company intends to operate two share plans: a discretionary plan for the senior management team, the Kooth Long Term Incentive Plan (the “**LTIP**”) and an all-employee share incentive plan, the Kooth All-Employee Share Plan (the “**ASP**”). The LTIP and the ASP are, together, the “**Plans**”. A reference in this paragraph 4 to the Board includes any designated committee of the Board. Information on certain awards to be made at or following Admission and the principal features of the Plans are summarised below.

### 4.2 **The LTIP**

- (a) The LTIP was adopted by the Board on 7 August 2020.

- (b) *Status*

The LTIP is a discretionary share plan. Under the LTIP the Board may, within certain limits and subject to any applicable performance conditions, grant to eligible employees (i) options over Shares (“**LTIP Options**”) and/or (ii) an immediate award of Shares, subject to restrictions or forfeiture (together “**LTIP Awards**”).

All employees (including Executive Directors) of the Group are eligible for selection to participate in the LTIP at the discretion of the Board. It is anticipated that the first grant of LTIP Awards (“**Initial LTIP Awards**”) will be shortly after Admission to the Executive Directors of the Company on the criteria shown in the table below:

<i>Executive</i>	<i>Number of Shares</i>	<i>Exercise Price</i>	<i>Performance Conditions</i>
Tim Barker	100,000	£0.05	See below
Sanjay Jawa	75,000	£0.05	See below

The Initial LTIP Awards will be granted subject to the performance conditions set out below and will also be subject to a condition that the Shares acquired are held for a minimum two year period from vesting:

- 50 per cent. of the Initial LTIP Awards will be subject to meeting annual recurring revenue targets; and
- 50 per cent. of the Initial LTIP Awards will be subject to meeting annualised total shareholder return targets.

(c) *Grant of LTIP Awards*

The Remuneration Committee will have absolute discretion to select the persons to whom awards may be granted and, subject to the limits set out below, in determining the number of Shares to be subject to each award. LTIP Awards may normally be granted within 3 months after the announcement of results for any period but can also be granted within 3 months after Admission. No LTIP Awards may be granted more than 10 years from the date when the LTIP was adopted.

(d) *Performance and other conditions*

The Board may impose performance conditions on the vesting of LTIP Awards. Where performance conditions are specified for LTIP Awards, the underlying measurement period for such conditions will ordinarily be three years. The proposed performance conditions for the LTIP Awards will be based on achieving financial targets which will be measured over three financial years. Any performance conditions applying to LTIP Awards may be varied, substituted or waived if the Board considers it appropriate, provided the Board considers that the new performance conditions are reasonable and are not materially less difficult to satisfy than the original conditions (except in the case of waiver). The Board may also impose other conditions on the vesting of LTIP Awards including setting a minimum period during which shares acquired by Participants under Awards must be held by them before they can be disposed of.

(e) *Limits*

The LTIP is subject to an overall limit on the number of shares in the Company that may be allocated under it. This provides that in any ten-year period, not more than ten per cent. in aggregate of the issued ordinary shares of the Company for the time being may be issued or transferred out of treasury to satisfy awards granted under the LTIP and any other employee share schemes adopted by the Company. In addition, not more than five per cent. in aggregate of the issued ordinary shares of the Company for the time being may be issued or transferred out of treasury to satisfy awards granted under the LTIP and any other discretionary share plan adopted by the Company (other than one operated on an all-employee basis) adopted by the Company. Shares purchased by an EBT will not count towards these limits.

The participant is responsible for paying any tax and employee's National Insurance contributions that arise in respect of an award.

(f) *Malus*

The Board may decide at any time before shares are acquired under any Award, that the number of Shares subject to an LTIP Award shall be reduced (including to nil) on such basis that the Board in its discretion considers to be fair and reasonable in the following circumstances: (a) as a result of the actions or omissions of a participant, any accounts or other data used to assess the extent to which a performance condition is or was satisfied are required to be materially corrected, (b) a participant knew or ought reasonably to have known that the relevant financial performance or other data by reference to which the applicable performance condition was measured was materially different than shown in the accounts or other relevant data, or (c) action or conduct of a participant which, in the reasonable opinion of the Board, amounts to fraud, dishonesty or deceit in relation to the Group.

(g) *Vesting and exercise*

LTIP Awards will normally vest, and LTIP options will normally become exercisable, on the third anniversary of the date of grant of the LTIP Award to the extent that any applicable performance conditions have been satisfied and to the extent permitted following any operation of malus or clawback. LTIP Options will normally remain

exercisable for a period determined by the Board at grant which may not exceed 10 years from grant.

(h) *Cessation of employment*

If a participant ceases to be employed in the Group by reason of death, injury, disability, long-term illness, unfair or wrongful dismissal, redundancy or retirement, their LTIP Award may be exercised within 6 months of that cessation (12 months in the case of death) but the number of shares to which the LTIP Award relates will be pro-rated to reflect the proportion of the usual three-year period which has elapsed at the date of cessation of employment unless the Remuneration Committee determines otherwise. The Remuneration Committee will assess the extent to which the performance condition has been satisfied at the date of cessation of employment. If a participant ceases to be employed for any other reason, any unvested LTIP Awards will lapse unless the Remuneration Committee in its discretion permits otherwise.

(i) *Corporate events*

In the event of a takeover, squeeze out, scheme of arrangement, or winding-up of the Company, LTIP Awards will vest on a pro-rated time basis and to the extent that any applicable performance conditions have been satisfied at the time of the corporate event (unless the Board determines otherwise). To the extent that LTIP Options vest in the event of a takeover, squeeze out, scheme of arrangement, or winding-up of the Company they may be exercised for a period of six months (six weeks in the event of a squeeze out) measured from the relevant event and will otherwise lapse at the end of that period. If there is a corporate event resulting in a new person or company acquiring control of the Company, the Board may (with the consent of the acquiring company and the participant) alternatively decide that LTIP Awards will not vest or lapse but will be replaced by equivalent new awards over shares in the new acquiring company.

#### 4.3 **The ASP**

(a) The ASP was adopted by the Board on 7 August 2020.

(b) *Status*

The ASP is intended to be operated as an all-employee plan that is open to all employees of the Group. Under the ASP, the Board may, within certain limits, grant to eligible employees (i) options over Shares ("**ASP Options**") and/or (ii) an immediate award of Shares, subject to restrictions or forfeiture (together, "**ASP Awards**").

All employees (including Executive Directors) of the Group with at least 3 months' service (or such other period as determined by the Board from time to time) are eligible for selection to participate in the ASP at the discretion of the Board.

(c) *Grant of ASP Awards*

The Board will have absolute discretion to select the persons to whom awards may be granted and, subject to the limits set out below, in determining the number of Shares to be subject to each award. For the Initial ASP Awards, the number of Shares will be calculated by reference to the Placing Price. ASP Awards may normally be granted within 3 months after the announcement of results for any period but can also be granted within 3 months after Admission. No ASP Awards may be granted more than 10 years from the date when the ASP was adopted.

(d) *Limits*

The ASP is subject to an overall limit on the number of shares in the Company that may be allocated under it. This provides that in any ten-year period, not more than ten per cent. in aggregate of the issued ordinary shares of the Company for the time being may be issued or transferred out of treasury to satisfy awards granted under the Plan and any other employee share schemes adopted by the Company. Shares held by an EBT will not count towards these limits.

The participant is responsible for paying any tax and employee's National Insurance contributions that arise in respect of an award.

(e) *Vesting and exercise*

ASP Awards will normally vest, and ASP Options will normally become exercisable, on the third anniversary of the date of grant of the ASP Award. ASP Options will normally remain exercisable for a period determined by the Board at grant which may not exceed 10 years from grant.

(f) *Cessation of employment*

If a participant ceases to be employed in the Group by reason of death, injury, disability, long-term illness, unfair or wrongful dismissal, redundancy or retirement, an ASP Award may be exercised within 6 months of that cessation (12 months in the case of death) but the number of shares to which the ASP Award relates will be pro-rated to reflect that proportion of the usual three-year period which has elapsed at the date of cessation of employment unless the Board determines otherwise. The Board will assess the extent to which the performance condition has been satisfied at the date of cessation of employment. If a participant ceases to be employed for any other reason, ASP Options will lapse unless the Board in its discretion permits otherwise.

(g) *Corporate events*

In the event of a takeover, squeeze out, scheme of arrangement, or winding-up of the Company, the ASP Awards will vest on a pro-rated time basis and to the extent that any applicable performance conditions have been satisfied at the time of the corporate event (unless the Board determines otherwise). To the extent that ASP Options vest in the event of a takeover, squeeze out, scheme of arrangement, or winding-up of the Company they may be exercised for a period of six months (six weeks in the event of a squeeze out) measured from the relevant event and will otherwise lapse at the end of that period. If there is a corporate event resulting in a new person or company acquiring control of the Company, the Board may (with the consent of the acquiring company and the participant) alternatively decide that ASP Awards will not vest or lapse but will be replaced by equivalent new awards over shares in the new acquiring company.

#### 4.4 **The Plans**

(a) *Awards not transferable*

Awards granted under the Plans are not transferable other than to the participant's personal representatives in the event of their death provided that awards and Shares may be held by the trustees of an employee as nominee for the participants.

(b) *Variation of capital*

In the event of a variation of share capital of the Company, the Board may make appropriate adjustments to the number of shares to which awards relate.

(c) *Rights attaching to Shares*

Shares issued and/or transferred under the Plans will not confer any rights on any participant until the relevant award has vested or the relevant option has been exercised

and the participant in question has received the underlying Shares. Any Shares allotted when an option is exercised or an award vests will rank equally with Shares then in issue (except for rights arising by reference to a record date prior to their issue).

(d) *Amendments*

The Board may amend the provisions of the Plans or the terms of awards granted under them provided that no amendment may be made to existing awards under the Plans which would adversely affect the rights of existing participants without the prior consent of the majority of the participants (by number of shares under award).

(e) *Pensionability*

Benefits under the Plans are not pensionable.

**5. Directors' interests**

5.1 In addition to their directorships of the Company and other members of the Group, the Directors are, or have been, directors or partners of the following companies and partnerships during the five years prior to the date of this document:

<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Former directorships/ partnerships over the last five years</i>
Peter Whiting	Aptitude Software Group plc (previously Microgen plc) D4T4 Solutions plc FDM Group (Holdings) plc Kenilworth Lawn Tennis & Squash Club Limited Keystone Law Group plc Whitingpod Limited	MBA Polymers Inc.  TruFin plc
Tim Barker	n/a	Mediasift Limited
Sanjay Jawa	Woodstock Capital Advisers Limited	Beam ABA Services Limited Collinson Drum Cussac Ltd Digital Theatre.com Limited Digital Theatre Group Limited Drum Cussac Group Limited Drum Cussac Technology Limited English Pen Experior Group Limited Experior Ltd Jupiter Midco 1 Limited Jupiter Midco 2 Limited Kapow Primary Limited Qualitest Group UK Limited Qualitest Software Testing Ltd Root Capital GP Limited Root Capital LLP Root Capital Support Services Limited Smart Building Systems Limited
Dame Sue Bailey Centre For Mental Health		n/a

<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Former directorships/ partnerships over the last five years</i>
Simon Philips	Digital Theatre Group Limited Kapow Primary Limited Keystone Law Group plc Nyumbani UK Nyumbanu UK and the Hotcourses Foundation Root Capital (Founder Partner) Limited Root Capital Capco 2 Limited Root Capital General Partner LLP Root Capital GP Limited Root Capital LLP Root Capital Support Services Limited Scaleup Capital Limited	Drum Cussac Group Limited RHHR Investments Limited

5.2 At the date of this document, save as set out below, no Director:

- (a) has any unspent convictions in relation to any indictable offences;
- (b) has been bankrupt, or entered into an individual voluntary arrangement with his creditors;
- (c) was a director of any company at the time of or within 12 months preceding any receivership, compulsory liquidation, creditor's voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors, save that:
  - (i) Simon Philips is a director of Root Capital Capco 2 Limited which is currently in members' voluntary liquidation (liquidator appointed on 22 November 2012);
  - (ii) Simon Philips was a director of I.G.G. Component Technology Limited when an administrator was appointed on 17 December 2008 and when it was placed into creditors voluntary liquidation on 27 November 2009 (dissolved on 23 February 2013);
  - (iii) Simon Philips resigned as a director of Livementor Limited on 16 March 2006. The company went into creditors' voluntary liquidation in October 2006, approximately seven months following his resignation as a director. The company was later dissolved on 15 July 2008;
  - (iv) Simon Philips resigned as a director of Maxim Learning Ltd on 16 March 2006. The company went into creditors' voluntary liquidation in October 2006, approximately seven months following his resignation as a director. The company was later dissolved on 7 November 2008;
  - (v) Simon Philips was a director of Adval Group Plc when it entered administration on 31 August 2006. The administration orders were discharged on 11 June 2007 when the company entered creditors' voluntary liquidation. The company was later dissolved on 28 November 2008;
  - (vi) Simon Philips was a director of Country Foods Limited when it entered administration on 6 December 2006. The administration orders were discharged on 1 December 2007 when the company went into creditors' voluntary liquidation. The Company was later dissolved on 8 February 2011; and



- (vii) Simon Philips was a director of 7C Limited (“7C”), 7C (Holdings) Limited (“7C Holdings”) and 7C (Pembroke) Limited (“7C Pembroke”) when each company entered administration on 2 December 2002. The administration orders against each company were discharged on 15 February 2008. 7C Holdings, 7C Pembroke and 7C were later dissolved on 25 January 2011, 22 February 2011 and 13 March 2012 respectively;
- (d) has been a partner in a partnership at the time of or within 12 months preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership;
- (e) has had his assets be the subject of any receivership or has been a partner of a partnership at the time of or within 12 months preceding any assets thereof being the subject of a receivership;
- (f) has been subject to any public criticism by any statutory or regulatory authority (including any recognised professional body); or
- (g) has ever 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 a company.

The interests of the Directors and their respective families (within the meaning of the AIM Rules for Companies) in the issued share capital of the Company immediately prior to and following Admission are as follows:

<i>Name</i>	<i>Immediately prior to Admission</i>		<i>Immediately following Admission</i>	
	<i>Number of Shares</i>	<i>Percentage of issued Share capital</i>	<i>Number of Shares</i>	<i>Percentage of issued Share capital</i>
Peter Whiting	0	0%	40,000	0.1%
Dame Sue Bailey	0	0%	0	0%
Tim Barker	801,603	3.2%	801,603	2.4%
Sanjay Jawa <sup>1</sup>	320,648	1.3%	320,648	1.0%
Simon Philips <sup>2</sup>	0	0%	0	0%

### 5.3 Save as set out in this document:

- (a) there are no outstanding loans or guarantees provided by any member of the Group to or for the benefit of any of Director, nor are there any loans, guarantees or related financial products provided by any Director to or for the benefit of any member of the Group;
- (b) none of the Directors nor any member of their respective families (within the meaning of the AIM Rules for Companies) has any interest in the share capital of the Company;
- (c) no Director has any option over or warrant or other right to subscribe for any shares in the Company; and
- (d) none of the Directors nor any member of their respective families (within the meaning of the AIM Rules for Companies) holds or has held any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of Shares.

1 Sanjay Jawa holds an interest equivalent to 0.5% of the investment profit in Root Capital Fund II LP, a partnership affiliated with Root Capital.

2 Simon Philips is the managing partner of Root Capital LLP which is the general partner of Root Capital, and he is also a limited partner in Root Capital.

- 5.4 There are no agreements, arrangements or understandings (including compensation agreements) between any of the Directors connected with or dependent upon Admission or the Placing.
- 5.5 Save as otherwise disclosed in this document, no Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group taken as a whole and which was effected by the Company or any other member of the Group during the current or immediately preceding financial year, or during any earlier financial year which remains in any respect outstanding or unperformed.

## 6. Substantial shareholders

- 6.1 Immediately following Admission, to the extent known by the Company, it is expected that (in addition to the interests of the Directors set out in paragraph 5 above) the following persons will be interested (directly or indirectly) in 3 per cent. or more of the Company's issued Share capital:

<i>Name of Shareholder</i>	<i>Number of Shares</i>	<i>Percentage of issued Share capital</i>
Root Capital	16,609,873	50.2%
Canaccord Genuity Wealth Management (Hargreave Hale Ltd)	2,600,000	7.9%
Gresham House Asset Management	2,130,000	6.4%
Stancroft Trust Limited	2,000,000	6.1%
Premier Miton Investors	1,800,000	5.4%

- 6.2 No Shareholder set out above has (nor will it have) voting rights attached to the Shares it holds which are different to those held by the other Shareholders.
- 6.3 Save as set out in this document, the Company is not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.

## 7. Directors' service contracts and letters of appointment

### 7.1 *Executive Directors' service contracts*

Tim Barker

The Company is a party to a service agreement dated 26 August 2020 with Tim Barker under which he is employed as the Group's chief executive officer at a salary of £250,000 together with the following benefits: pension contributions of three per cent. per month, private medical insurance for himself, his spouse/civil partner and/or children up to the age of 18 or in full time education up until his 65th birthday and directors' and officers' insurance (for six years post-termination). Tim is entitled to 25 days holiday, excluding bank holidays. The service agreement is terminable on six months' written notice by either party and contains a payment in lieu of notice provision, which may be paid in monthly instalments. Tim is subject to the following post-termination restrictions, each of which lasts for six months' post-termination: a non-competition covenant, non-solicitation of and non-dealing with certain restricted customers, non-contact with certain restricted contacts of the Group and non-solicitation of certain employees or suppliers, as well as confidentiality undertakings. Tim is eligible to participate in the LTIP and the ASP, as summarised in paragraph 5 above.

Sanjay Jawa

The Company is a party to a service agreement dated 26 August 2020 with Sanjay Jawa under which he is employed as the Group's chief financial officer at a salary of £175,000 together with the following benefits: pension contributions of three per cent. per month, private medical insurance for himself, his spouse/civil partner and/or children up to the age

of 18 or in full time education up until his 65th birthday and directors' and officers' insurance (for six years post-termination). Sanjay is entitled to 25 days holiday, excluding bank holidays. The service agreement is terminable on three months' written notice by either party and contains a payment in lieu of notice provision, which may be paid in monthly instalments. Sanjay is subject to the following post-termination restrictions, each of which lasts for three months' post-termination: a non-competition covenant, non-solicitation of and non-dealing with certain restricted customers, non-contact with certain restricted contacts of the Group and non-solicitation of certain employees or suppliers, as well as confidentiality undertakings. Sanjay is eligible to participate in the LTIP and the ASP, as summarised in paragraph 5 above.

## 7.2 **Non-Executive Directors' letters of appointment**

Dame Sue Bailey, Simon Philips and Peter Whiting each entered into letters of appointment dated 7 August, in each case with their initial term as a Non-Executive Director commencing on the date of Admission. The letters of appointment provide for payment of annual remuneration for each of the Non-Executive Directors following Admission as follows:

Dame Sue Bailey – £35,000;

Simon Philips – £50,000; and

Peter Whiting – £80,000.

The fees payable to the Non-Executive Directors cover all duties, including any service on the board of any Group Company or any board committee. Simon Philips has directed that the fees owed to him for his role as Non-Executive Director are payable to Root Capital LLP.

Peter Whiting and Simon Philip's letters of appointment are terminable on three months' notice by either party and Dame Sue Bailey's letter of appointment is terminable on one month's notice by either party. The Non-Executive Directors are subject to confidentiality restrictions following termination.

## 8. **Employees**

As at June 2020, the Group employed 298 full time equivalent employees in the U.K., the geographic breakdown of which is as follows:

<i>Location</i>	<i>Number of employees</i>
London	52
Manchester	12
Cornwall	3
Other (remote working)	241

Of these 298 full time equivalent employees, 109 are counsellors.

## 9. **Placing Agreement**

9.1 On 26 August 2020, the Company, and the Directors entered into the Placing Agreement with Panmure Gordon. Pursuant to the Placing Agreement:

- (a) the Company has appointed Panmure Gordon as its agent, subject to certain conditions, to use its reasonable endeavours to procure purchasers for the New Shares at the Placing Price;
- (b) in consideration for the services provided to the Company, the Company has agreed to pay or reimburse Panmure Gordon the costs and expenses incurred by Panmure

Gordon in connection with the Placing and Admission, and the following fees and commissions:

- (i) Panmure Gordon will receive a corporate finance fee of £225,000;
  - (ii) Panmure Gordon will receive a commission of 3.75 per cent. of an amount equal to the number of New Shares multiplied by the Placing Price; and
  - (iii) the Company will, at its sole and absolute discretion, pay to Panmure Gordon an incentive commission of up to 0.75 per cent. of an amount equal to the number of New Shares multiplied by the Placing Price;
- (c) the obligations of Panmure Gordon under the Placing Agreement are subject to certain conditions which are customary in an agreement of this nature;
  - (d) the Placing Agreement contains provisions entitling Panmure Gordon to terminate the Placing (and the arrangements associated with it) at any time prior to Admission in certain circumstances. Panmure Gordon's termination rights are customary for agreements of this nature and include, amongst others, material adverse change, breach of representation, warranty or undertaking by any party giving such representation, warranty or undertaking and non-compliance by such persons with any obligation contained in the Placing Agreement; and
  - (e) each of the Company and the Directors has given certain warranties and undertakings to Panmure Gordon. The liabilities of the Directors under the warranties are limited as to the amount and time;
  - (f) the Company has given certain indemnities to Panmure Gordon on customary terms;
  - (g) the Company has given certain warranties and undertakings regarding compliance with certain laws and regulations affecting the making of the Placing in relevant jurisdictions; and
  - (h) the Company has undertaken to Panmure Gordon not to issue additional Shares (save in relation to the Incentive Plans set out at paragraph 4 above) for a period of 12 months following Admission without prior consent.

9.2 The following table contains details of the Selling Shareholder and the Sale Shares to be sold by them pursuant to the Placing:

<i>Name</i>	<i>Business Address</i>	<i>Number of Shares</i>	<i>Position, office or material relationship with the Group during the past 3 years</i>
Root Capital	Ground Floor Peninsular House 36 Monument Street London EC3R 8NB	5,000,000	Shareholder

## 10. Material contracts

The following contracts, not being contracts entered into in the ordinary course of business, are all of the contracts that have been entered into by the Company and its subsidiaries in the two years immediately preceding the date of this document and which are, or may be, material to the Group:

### 10.1 *Placing Agreement*

Details of the Placing Agreement are set out in paragraph 9 above.

## 10.2 **Relationship Agreement**

On 26 August 2020, Root Capital entered into the Relationship Agreement with the Company and Panmure Gordon. The principal purpose of the Relationship Agreement is to ensure that the Company is capable at all times of carrying on its business independently of Root Capital and its respective associates.

The Relationship Agreement takes effect from Admission. The Relationship Agreement may be terminated by Root Capital or the Company if Root Capital (together with its associates) do not hold 15 per cent. or more of total voting rights in the Company for a consecutive two year period. The Relationship Agreement may also be terminated by the Company or Root Capital if the Shares have ceased to be admitted to trading on AIM, or certain steps have been taken relating to the winding up of the Company, arrangements with the Company's creditors or the appointment of a receiver in respect of the Company's assets.

Under the Relationship Agreement, Root Capital has undertaken that, for so long as it (together with its respective associates) holds 15 per cent. or more of total voting rights in the Company, it will (and will procure that its respective associates will), among other things:

- (a) ensure that the Group shall be managed for the benefit of the Shareholders as a whole and independently of itself and its respective associates;
- (b) ensure that all transactions and arrangements with the Company and any other member of the Group are on an arm's length basis and on normal commercial terms;
- (c) not take any action that would have the effect of preventing the Company or any other member of the Group from complying with its obligations under the QCA Code, the AIM Rules for Companies or any other applicable law or regulation;
- (d) not influence or seek to influence the running of the Company or any member of the Group at an operational level (it being acknowledged that this will not prevent Simon Philips, as the nominee director of Root Capital, from exercising his duties as a Director); and
- (e) not to exercise its voting or other rights or powers to cancel the Company's admission to trading on AIM.

Under the Relationship Agreement, for so long as Root Capital (together with its associates) exercises or controls 15 per cent. or more of total voting rights in the Company, it has the right to appoint a nominee director of the Company, who, as at the date of this document and as at Admission, shall be Simon Philips.

## 10.3 **Lock-In Deeds**

On 26 August 2020, the Company, the Directors, the Lock-In Senior Managers, Elaine Bousfield and Root Capital entered into Lock-In Deeds. Pursuant to the Lock-In Deeds, each of the Directors, the Lock-In Senior Managers, Elaine Bousfield and Root Capital have undertaken to Panmure Gordon:

- (a) not, without the prior written consent of Panmure Gordon, to dispose of any of the Shares held by them or their respective associates at Admission for a period of 12 months following Admission, subject to customary exceptions; and
- (b) during a period of 12 months following expiry of the lock-in period referred to in paragraph (a) above, to observe customary orderly market restrictions with respect to the disposal of such Shares.

#### 10.4 **Nominated Adviser and Broker Agreement**

On 25 August 2020, the Company and Panmure Gordon entered into an agreement pursuant to which Panmure Gordon has agreed to act as nominated adviser and broker to the Company following Admission as required by the AIM Rules. Panmure Gordon will, *inter alia*, assist the Company with complying with the AIM Rules for Companies. The Company has agreed to pay Panmure Gordon an annual fee (subject to increase) of £80,000 excluding VAT, as well as reasonable out of pocket expenses. The agreement renewable annually subject to termination at any time on 3 months' notice given by either Panmure Gordon or the Company. The agreement also contains a customary indemnity given by the Company to Panmure Gordon in relation to the provision by Panmure Gordon of its services under the agreement.

#### 10.5 **Beam Share Purchase Agreement**

On 3 April 2020, Xenzone Limited entered into a share purchase agreement (“**SPA**”) with Root Capital pursuant to which Root Capital acquired the entire issued share capital of Beam ABA Services Limited (“**Beam**”) from Xenzone Limited in return for the waiver of inter-company balances.

The Company provided limited title and capacity warranties at the date of the SPA to Root Capital and no indemnities were provided by the Company in relation to Beam under the SPA. There are no outstanding liabilities or warranty periods.

#### 10.6 **Xenzone Share Purchase Agreement**

On 15 October 2015, Xenzone Limited entered into a share purchase agreement (“**SPA**”) with Stephen Donohoe and Elaine Bousfield (together, the “**Sellers**”), pursuant to which Xenzone Limited acquired the entire issued share capital of Xenzone Limited from the Sellers.

The Sellers provided customary warranties in respect of the shares being sold as would be expected in a transaction of this nature. The intellectual property warranties, tax warranties and tax indemnity under the SPA subsist until 15 October 2022.

#### 10.7 **Root Capital Loan Agreement**

On 15 October 2015, Xenzone Group Limited and Root Capital Fund II LP (acting by its general partner Root Capital) (“**Root**”) entered into a facility agreement (“**Facility Agreement**”), under which Root provided a secured facility of up to £1,850,000 (or such other greater amount as Root, in its sole discretion considered appropriate) (“**Loan Amount**”) to Xenzone Group Limited. The Loan Amount under the Facility Agreement is secured by way of debenture over Xenzone Group Limited (“**Security**”).

Under the Facility Agreement, the Loan Amount is to be used for the working capital purposes of Xenzone Group, or as otherwise agreed, though Root is not obliged to monitor or verify how any amount advanced under the Facility Agreement is used.

Interest on the Loan Amount is paid by Xenzone Group Limited at a rate of 8 per cent. (or as otherwise agreed) and accrues on a day-to-day basis, as calculated by Root and on such terms as Root may from time to time determine. Interest is compounded on the last business day of each interest period (with each interest period being one month long).

Under the Facility Agreement, Xenzone Group Limited gives various representations, warranties and covenants to Root, with such warranties and representations being repeated on the date of any request from Xenzone Group Limited to draw down the Loan Amount.

As at 30 June 2020, the Loan Amount was an amount equal to £5 million. The Loan Amount under the Facility Agreement will be repaid out of the proceeds from Admission and the Security will be released.

## 10.8 **IGF Loan Agreement**

On 21 December 2018, Xenzone Group Limited (at the time called Minds for Life Limited) and IGF Business Credit Limited (“**IGF**”) entered into an asset based facilities agreement (“**ABF Agreement**”) pursuant to which IGF provided a secured facility of £1 million (“**Facility Amount**”) to Xenzone Group Limited (subsequently increased to £1.2 million). The Facility Amount under the ABF Agreement is available for a minimum term of 11 months from the date thereof until the ABF Agreement is terminated and is subject to a service charge of 0.21 per cent. of the debts due to IGF by Xenzone Group Limited, subject to minimum service charge of £700 per month. There is an annual renewal fee payable by Xenzone Group Limited on each anniversary of the date of the ABF Agreement. The Facility Amount is secured by way of a guarantee and debenture over the Company, Xenzone Group Limited, Xenzone Limited and Xenzone Alliance CIC.

Under the ABF Agreement, Xenzone Group Limited is subject to certain reporting requirements, including daily, weekly, monthly, quarterly and annual reporting, as well as also being required to report on request from IGF. In addition to these reporting requirements, Xenzone Group provides various covenants to IGF, including covenants that:

- (a) Group EBITDA is to be within 50 per cent. of forecasts as provided to IGF and to be measured quarterly; and
- (b) while there is any amount owed to IGF under the ABF Facility and connected documents, Xenzone Group Limited will:
  - (i) notify IGF of all additional debts it takes on;
  - (ii) be liable to repay the entire amount if more than 50 per cent. of receivables for an individual account are overdue; and
  - (iii) only pay dividends to its shareholder(s) with IGF’s prior consent.

The ABF Facility contains warranties and indemnities given by Xenzone Group Limited to IGF, which are not expressed to be limited by time.

## 10.9 **Xenzone Group Subscription Agreements**

Xenzone Group Limited entered into share subscription agreements (“**Subscription Agreements**”) with certain employees and former employees of the Group in respect of their subscription for B ordinary growth shares of £0.0001 each in the capital of Xenzone Group Limited (“**B Shares**”).

Under the terms of each Subscription Agreement, the relevant B Shares held by the respective B shareholders will realise their value on either a listing of Xenzone Group Limited (or any newly formed entity pursuant to an internal reorganization) on the Main Market or AIM, with the value such B Shares will receive being by reference to the price per share at which such shares are offered for sale, placed or otherwise marketed, or the share sale, asset sale or other such disposal (“**Realisation Event**”) of Xenzone Group Limited and are subject to certain equity hurdles (contained within the respective Subscription Agreement) which must be met on such a Realisation Event, before such value will be realised to the B shareholders. These Subscription Agreements terminated pursuant to the terms of a deed of termination dated 6 August 2020 on completion of the share for share exchange agreement referred to in paragraph 10.11 below. New subscription agreements were put in place with the Company on equivalent terms as further detailed in paragraph 10.12 below.

## 10.10 **Termination Letter**

On 16 October 2019, Xenzone Group Limited entered into an agreement with Zoe Blake, former chief executive officer of Xenzone Group, terminating her employment arrangement,

pursuant to which Xenzone Group Limited agreed to pay Ms Blake, in recognition of her contribution to the Group:

- (a) a sum of £150,000 at the point of Root Capital receiving a cash return of at least 3.5 times or greater of Root Capital's total investment in the Group; and
- (b) a sum of £50,000 at the point of Root Capital receiving a cash return of at least 4.5 times or greater of Root Capital's total investment in the Group.

#### 10.11 **Share for Share Exchange Agreement**

On 6 August 2020, the Company entered into a share for share exchange agreement with the shareholders of Xenzone Group Limited (the "**Transferors**") pursuant which the Transferors agreed to transfer their shares in Xenzone Group Limited to the Company in consideration for the allotment and issue to each of the Transferors of shares in the Company.

#### 10.12 **Company Subscription Agreements**

On completion of the share for share exchange agreement referred to in paragraph 10.11 above and on termination of the Subscription Agreements referred to in paragraph 10.9 above, the Company entered into share subscription agreements ("**New Subscription Agreements**") with certain employees and former employees of the Group in respect of their transfer of B ordinary growth shares of £0.0001 each in the capital of Xenzone Group Limited to the Company in return for the issue and allotment of B ordinary growth shares of £1.00 each in the capital of the Company ("**B Shares**").

The terms of the New Subscription Agreements replicate the terms of the Subscription Agreements previously entered into with Xenzone Group Limited. Under the terms of each New Subscription Agreement, the relevant B Shares held by the respective B shareholders will realise their value on either a listing of the Company (or any newly formed entity pursuant to an internal reorganization) on the Main Market or AIM, with the value such B Shares will receive being by reference to the price per share at which such shares are offered for sale, placed or otherwise marketed, or the share sale, asset sale or other such disposal ("**Realisation Event**") of the Company and are subject to certain equity hurdles (contained within the respective Subscription Agreement) which must be met on such a Realisation Event, before such value will be realised to the B shareholders. Admission will constitute a Realisation Event and the Subscription Agreements will therefore terminate at Admission.

#### 10.13 **Intra-group Share Transfer Agreement**

On 25 August 2020, and in connection with a reorganisation of the Group, the Company entered into an intra-group share transfer agreement pursuant to which it acquired the entire issued share capital of XenZone Limited from its wholly owned subsidiary Xenzone Group Limited for the agreed market value of XenZone Limited. The consideration payable in connection with the transfer was left outstanding as an inter-company loan existing between the Company and XenZone Group Limited.

### 11. **Litigation**

There are no governmental, legal or arbitration proceedings (including such proceedings which are pending or threatened of which the Company or Group is aware) during the 12 months preceding the date of this document, which may have, or in the recent past have had, a significant effect on the Company's and/or the Group's financial position or profitability.

### 12. **Related party transactions**

Save as disclosed in note 27 of the Historical Financial Information and note 10 of the Unaudited Interim Financial Information, there are no related party transactions that were entered into by



members of the Group during the periods covered by the Historical Financial Information and the Unaudited Interim Financial Information to the date of this document.

### **13. Taxation**

The following statements are intended only as a general guide to certain UK tax considerations relevant to prospective investors in the Shares. They do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of Shares. They are based on current UK tax law and what is understood to be the current published practice (which may not be binding) of HMRC as at the date of this document, both of which are subject to change, possibly with retrospective effect. The following statements relate only to Shareholders who are resident (and, in the case of individuals, resident and domiciled or deemed domiciled) for tax purposes in (and only in) the UK (except in so far as express reference is made to the treatment of non-UK residents), who hold their Shares as an investment (other than in an individual savings account or pension arrangement) and who are the absolute beneficial owners of both the Shares and any dividends paid on them. The tax position of certain categories of Shareholders who are subject to special rules, such as persons who acquire (or are deemed to acquire) their Shares in connection with their (or another person's) office or employment, traders, brokers, dealers in securities, insurance companies, banks, financial institutions, investment companies, tax-exempt organisations, persons connected with the Company or the Group, persons holding Shares as part of hedging or conversion transactions, Shareholders who are not domiciled or not resident in the UK, collective investments schemes, trusts and those who hold 5 per cent. or more of the Shares, is not considered. Nor do the following statements consider the tax position of any person holding investments in any HMRC-approved arrangements or schemes, including the enterprise investment scheme or venture capital scheme, able to claim any inheritance tax relief or any non-UK resident Shareholder holding Shares in connection with a trade, profession or vocation carried on in the UK (whether through a branch or agency or, in the case of a corporate Shareholder, a permanent establishment or otherwise).

Prospective investors who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the UK are strongly recommended to consult their own professional advisers.

#### **13.1 Taxation of dividends**

The Company is not required to withhold tax when paying a dividend. Liability to tax on dividends will depend upon the individual circumstances of a Shareholder.

##### *UK resident individual Shareholders*

Under current UK tax rules, specific rates of tax apply to dividend income. As of 1 April 2016, the notional dividend tax credit system was abolished. Instead, there is a nil rate of tax (the "Nil Rate Amount") which from 6 April 2018, applies to the first £2,000 of dividend income received by an individual Shareholder who is resident for tax purposes in the UK for 2020/2021. Dividend income in excess of the Nil Rate Amount (taking account of any other dividend income received by the Shareholder in the same tax year) will be taxed at the following rates for 2020/2021: 7.5 per cent. (to the extent that it falls below the threshold for higher rate income tax); 32.5 per cent. (to the extent that it falls above the threshold for higher rate income tax and is within the higher rate band); and 38.1 per cent. (to the extent that it is within the additional rate). For the purposes of determining which of the taxable bands dividend income falls into, dividend income is treated as the highest part of a Shareholder's income. In addition, dividends within the Nil Rate Amount which would (if there was no Nil Rate Amount) have fallen within the basic or higher rate bands will use up those bands respectively for the purposes of determining whether the threshold for higher rate or additional rate income tax is exceeded.

#### *UK resident corporate Shareholders*

Shareholders within the charge to UK corporation tax which are “small companies” for the purposes of Chapter 2 of Part 9A of the Corporation Tax Act 2009 will generally not be subject to UK corporation tax on any dividend received provided certain conditions are met (including an anti-avoidance condition).

A UK resident corporate Shareholder (which is not a “small company” for the purposes of the UK taxation of dividends legislation in Part 9A of the Corporation Tax Act 2009) will be liable to UK corporation tax (currently at a rate of 19 per cent. from 1 April 2017) unless the dividend falls within one of the exempt classes set out in Part 9A. Examples of exempt classes (as defined in Chapter 3 of Part 9A of the Corporation Tax Act 2009) include dividends paid on shares that are “ordinary shares” (that is shares that do not carry any present or future preferential right to dividends or to the Company’s assets on its winding up) and which 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 in respect of which the distribution is made). However, the exemptions are not comprehensive and are subject to anti-avoidance rules.

#### *Non-UK resident Shareholders*

Non-UK resident Individual Shareholders who receive a dividend from the Company are treated as having paid UK income tax on their dividend income at the dividend ordinary rate (7.5 per cent.). Such income tax will not be repayable to a non-UK resident Individual Shareholder. A non-UK resident Shareholder is not generally subject to further UK tax on dividend receipts.

A non-UK resident Individual Shareholder may also be subject to taxation on dividend income under local law, in their country or jurisdiction of residence and/or citizenship. A shareholder who is not solely resident in the UK for tax purposes should consult his own tax advisers concerning his tax liabilities (in the UK and any other country) on dividends received from the Company in respect of liability to both UK taxation and taxation of any other country of residence or citizenship.

### **13.2 Taxation of chargeable gains**

Individual and corporate Shareholders who are resident in the United Kingdom may, depending on their circumstances (including the availability of allowances, exemptions or reliefs), realise a chargeable gain or an allowable loss for the purposes of taxation of capital gains on a sale or other disposal (or deemed disposal) of Shares.

#### *UK resident individual Shareholders*

For an individual Shareholder within the charge to UK capital gains tax, a disposal (or deemed disposal) of Shares may give rise to a chargeable gain or an allowable loss for the purposes of capital gains tax. The rate of capital gains tax on disposal of shares is 10 per cent. (2020/2021) for individuals who are subject to income tax at the basic rate and 20 per cent. (2020/2021) for individuals who are subject to income tax at the higher or additional rates. An individual Shareholder is entitled to realise an annual exempt amount of gains (currently £12,300) for the year to 5 April 2021 without being liable to UK capital gains tax.

#### *UK resident corporate Shareholders*

For a corporate Shareholder within the charge to UK corporation tax, a disposal (or deemed disposal) of Shares may give rise to a chargeable gain at the rate of corporation tax applicable to that Shareholder (currently 19 per cent. with effect from 1 April 2017) or an allowable loss for the purposes of UK corporation tax.

### *Non UK resident Shareholders*

An individual Shareholder who is only temporarily resident outside the United Kingdom may, under anti-avoidance legislation, still be liable to UK tax on any capital gain realised when they resume UK tax residence (subject to available allowances, exemptions or reliefs) upon a sale or other disposal (or deemed disposal) of Shares.

Shareholders who are not tax resident in the United Kingdom and, in the case of an individual Shareholder, not temporarily non-resident, will not generally be subject to UK taxation of capital gains on a sale or other disposal (or deemed disposal) of Shares unless such Shares are used, held or acquired for the purposes of a trade, profession or vocation carried on in the UK through a branch or agency or, in the case of a corporate Shareholder, through a permanent establishment. Shareholders who are not resident in the United Kingdom may be subject to non-UK taxation on any gain under local law.

### **13.3 *Inheritance tax***

The Shares will be assets situated in the United Kingdom for the purposes of UK inheritance tax. A gift of such assets during lifetime or on the death of, an individual holder of such assets may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax, even if the holder is or was neither domiciled in the United Kingdom nor deemed to be domiciled there, under certain rules relating to long residence or previous domicile. Generally, UK inheritance tax is not chargeable on gifts to individuals if the transfer is made more than seven complete years prior to the death of the donor. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply to gifts where the donor reserves or retains some benefit following a gift of an asset. Special rules also apply to close companies and to trustees of settlements who hold Shares bringing them within the charge to inheritance tax. A change to inheritance tax may also arise if the shares are transferred to a trust during their lifetime or on death. Holders of Shares should consult an appropriate professional adviser if they make a gift of any kind or a transfer at less than market value, or if they intend to hold any Shares through a trust or similar indirect arrangements. They should also seek professional advice in a situation where there is potential for a double charge to UK inheritance tax and an equivalent tax in another country or if they are in any doubt about their UK inheritance tax position.

### **13.4 *Stamp duty and stamp duty reserve tax (“SDRT”)***

No UK stamp duty or SDRT will be generally payable on the issue of Shares. AIM qualifies as a recognised growth market for the purposes of the UK stamp duty and SDRT legislation. Accordingly, for so long as the Shares are admitted to trading on AIM and are not listed on any other market no charge to UK stamp duty or SDRT should arise on their subsequent transfer. If the Shares cease to qualify for this exemption their transfer on sale will be subject to stamp duty and/or SDRT (generally at the rate of 0.5 per cent. of the consideration subject to a de minimis threshold), although special rules apply in respect of certain transfers including transfers to market intermediaries and transfers into clearance services or depositary receipt arrangements. The statements in this paragraph apply to any holders of Shares irrespective of their residence, and are a summary of the current position and are intended to be a general guide to the current stamp duty and SDRT position. Shareholders in any doubt about their position should seek appropriate tax advice.

**THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PROSPECTIVE INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISER ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE SHARES IN LIGHT OF THE INVESTOR’S OWN CIRCUMSTANCES.**

## **14. Takeover code, 'squeeze out' and 'sell out'**

### **14.1 Mandatory takeover bids**

The Company is subject to the Takeover Code. Brief details of the Takeover Panel, the Takeover Code and the protections they afford are described below. The Takeover Code is issued and administered by the Takeover Panel. The Takeover Code applies to all takeover and merger transactions, however effected, where the offeree company is, inter alia, a listed public company resident in the United Kingdom. The Company is a public company resident in the United Kingdom and its shareholders are therefore entitled to the protections afforded by the Takeover Code. Under Rule 9 of the Takeover Code a person who acquires, whether by a single transaction or by a series of transactions over a period of time, interests in shares which (taken together with interests in shares held or acquired by persons acting in concert with him) carry 30 per cent. or more of the voting rights of a company, is normally required to make a cash offer (or a cash alternative) for all the outstanding shares of that company at not less than the highest price paid by him or them or any persons acting in concert during the offer period and in the 12 months prior to its commencement. This requirement would also be triggered by an acquisition of interests in shares by a person holding (together with its concert parties) interests in shares carrying between 30 per cent. and 50 per cent. of the voting rights in the company if the effect of such acquisition were to increase that person's percentage of the voting rights.

Rule 9 of the Takeover Code further provides, among other things, that where any person who, together with persons acting in concert with him holds over 50 per cent. of the voting rights of a company, acquires an interest in shares which carry additional voting rights, then they will not generally be required to make a general offer to the other shareholders to acquire the balance of their shares. However, individual members of a concert party will not be able to increase their percentage interest in shares through or between a Rule 9 threshold without the Takeover Panel's consent. For the purposes of the Takeover Code, persons acting in concert comprise persons who, pursuant to an agreement or understanding (whether formal or informal), cooperate to obtain or consolidate control of a company. Paragraph (9) of the definition of 'acting in concert' also deems any shareholders in a private company who sell their shares in that company in consideration for the issue of new shares in a company to which the Takeover Code applies to be acting in concert for the purposes of the Takeover Code unless the contrary is established and control in this context means an interest in shares of 30 per cent. or more of the voting rights of a company.

### **14.2 Squeeze out**

Under the Companies Act, if a "takeover offer" (as defined in section 974 of the Companies Act) is made for the Shares and the offeror were to acquire, or unconditionally contract to acquire, not less than 90 per cent. in value of the Shares to which the takeover offer relates ("**Takeover Offer Shares**") and not less than 90 per cent. of the voting rights attached to the Takeover Offer Shares within three months of the last day on which its offer can be accepted, it could acquire compulsorily the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders telling them that it will acquire compulsorily their Takeover Offer Shares and then, six weeks later, it would execute a transfer of the outstanding Takeover Offer Shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for the outstanding Shareholders. The consideration offered to the Shareholders whose Takeover Offer Shares are acquired compulsorily under the Companies Act must, in general, be the same as the consideration that was available under the takeover offer.

### **14.3 Sell-out**

The Companies Act also gives minority Shareholders a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer relates to all the Shares and at any time before the end of the period within which the offer could be

accepted, the offeror holds or has agreed to acquire not less than 90 per cent. of the Shares (being voting shares that carry voting rights in the Company), any holder of Shares to which the offer relates who has not accepted the offer is entitled by a written communication to the offeror to require it to acquire its Shares. The offeror is required to give any Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of the minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period or, if later, the giving notice. If a Shareholder exercises his other rights, the offeror is bound to acquire those Shares on the terms of the offer or on such other terms as may be agreed.

## **15. Working capital**

In the opinion of the Directors, having made due and careful enquiry, the working capital available to the Group, taking into account the receipt of the net proceeds to the Company from the placing of the New Shares will be sufficient for its present requirements, that is for at least twelve months from the date of Admission.

## **16. Significant change**

There has been no significant change in the financial performance or the financial position of the Group since 30 June 2020, being the date to which the Unaudited Interim Financial Information of the Group as set out in Section C of Part III of this document was prepared.

## **17. Investments**

The Company confirms that:

- (a) no material investments have been made by the Group during the period covered by the historical financial information set out in Part III of this document and up to the date of this document;
- (b) no material investments by the Group are in progress;
- (c) there are no joint ventures or undertakings in which the Company holds a proportion of the capital likely to have a significant effect on the assessment of its own assets and liabilities, financial position or profits and losses; and
- (d) there are no environmental issues that may affect the Company's utilisation of the tangible fixed assets.

## **18. General**

- 18.1 The total costs and expenses of, or incidental to, the Placing and Admission which are payable by the Company are estimated to be approximately £1.5 million (inclusive of value added tax). The expected net proceeds of the Placing of the New Shares, after deduction of such costs and expenses is £14.5 million. The Selling Shareholder bears the cost of commissions payable in respect of the Placing of the Sale Shares.
- 18.2 Apart from the application for Admission, the Shares have not been admitted to dealings on any recognised investment exchange nor has any application for such admission been made nor are there intended to be any other arrangements for dealings in the Shares.
- 18.3 The nominated adviser and broker to the Company is Panmure Gordon, which is authorised and regulated in the UK by the Financial Conduct Authority. Panmure Gordon has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.
- 18.4 Grant Thornton UK LLP has given and not withdrawn its written consent to the inclusion in this document of its report in Section A of Part III of this document in the form and context in

which it appears and has accepted responsibility for its report for the purposes of the AIM Rules for Companies. Grant Thornton UK LLP are members of the Institute of Chartered Accountants in England and Wales.

- 18.5 The accounting reference date of the Company is 31 December. The current accounting period will end on 31 December 2020.
- 18.6 Save as set out in paragraph 10.10 of this Part V, no person (other than the Company's professional advisers named in this document and trade suppliers) has at any time within the 12 months preceding the date of this document received, directly or indirectly, from the Company or entered into any contractual arrangements to receive, directly or indirectly, from the Company on or after Admission, any fees, securities in the Company or any other benefit to the value of £10,000 or more.
- 18.7 The Placing Price of 200 pence represents a premium of 195 pence above the nominal value of 5 pence per Share. The Placing Price is payable in full on application.
- 18.8 The auditors of the Group were Hazlewoods LLP, chartered accountants and registered auditors, who have audited the accounts for the Group (in each case as constituted at that time) for the financial years ended 31 December 2019, 31 December 2018 and 31 December 2017. Hazlewoods LLP are members of the Institute of Chartered Accountants in England and Wales.
- 18.9 The financial information set out in this document does not constitute statutory accounts within the meaning of section 434 of the Companies Act. Statutory accounts have been delivered to the Registrar of Companies for the periods ended 31 December 2019, 31 December 2018 and 31 December 2017. Auditors' reports in respect of each statutory accounts have been made under section 495 of the Companies Act and each such report was an unqualified report and did not contain any statement under section 498(2) or (3) of the Companies Act.
- 18.10 Where information has been sourced from a third party, this information has been accurately reproduced so far as the Company is aware and is able to ascertain from such information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Dated: 26 August 2020

## PART VI

### TERMS AND CONDITIONS OF THE PLACING

MEMBERS OF THE PUBLIC ARE NOT ELIGIBLE TO TAKE PART IN THE PLACING. THESE TERMS AND CONDITIONS ARE FOR INFORMATION PURPOSES ONLY AND ARE DIRECTED ONLY AT: (A) PERSONS IN THE UNITED KINGDOM OR MEMBER STATES OF THE EUROPEAN ECONOMIC AREA (EACH A “RELEVANT STATE”) WHO ARE QUALIFIED INVESTORS AS DEFINED IN SECTION 86(7) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (AS AMENDED) (“QUALIFIED INVESTORS”) BEING PERSONS FALLING WITHIN THE MEANING OF ARTICLE 2(1)(E) OF ARTICLE 2(e) OF REGULATION (EU) 2017/1129 (THE “PROSPECTUS REGULATION”); (B) IN THE UNITED KINGDOM, QUALIFIED INVESTORS WHO ARE PERSONS WHO (I) FALL WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE “ORDER”); (II) FALL WITHIN ARTICLE 49(2)(A) TO (D) (HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS, ETC.) OF THE ORDER; OR (III) ARE PERSONS TO WHOM IT MAY OTHERWISE BE LAWFULLY COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS “RELEVANT PERSONS”). THESE TERMS AND CONDITIONS MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THESE TERMS AND CONDITIONS RELATE IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS.

#### Introduction

Each Placee which confirms its agreement to Panmure Gordon (whether orally or in writing) to subscribe for Placing Shares under the Placing, hereby agrees with Panmure Gordon and the Company and the Selling Shareholder that it will be bound by these terms and conditions and will be deemed to have accepted them.

The Company and Panmure Gordon may require any Placee to agree to such further terms and/or conditions and/or give such additional warranties and/or representations as it (in its absolute discretion) sees fit and/or may require any such Placee to execute a separate placing letter (an “Investor Letter”).

#### Terms and conditions of, and the mechanics of participation in, the Placing

This Part VI gives details of the terms and conditions of, and the mechanics of participation in, the Placing. By participating in the Placing, each Placee will be deemed to have read and understood this Part VI in its entirety, to be participating, making an offer and acquiring Placing Shares on the terms and conditions contained herein and to be providing the representations, warranties, indemnities, acknowledgements and undertakings contained in this Part VI.

No commission will be paid to Placees or by Placees in respect of any Placing Shares.

#### Details of the Placing Agreement and the Placing Shares

Panmure Gordon has entered into (a) the Placing Agreement with the Company and its Directors pursuant to which, on the terms and subject to the conditions set out in such Placing Agreement, Panmure Gordon as agent for and on behalf of the Company, has agreed to use its reasonable endeavours to procure Placees for the New Shares at the Placing Price; and (b) a sale agreement with the Selling Shareholder pursuant to which, on the terms and subject to the conditions set out in such sale agreements, Panmure Gordon as agent for and on behalf of the Selling Shareholder, has agreed to use its reasonable endeavours to procure Placees for the Sale Shares at the Placing Price. The Placing is not being underwritten by Panmure Gordon.

The Placing Shares will be subject to the articles of association of the Company and credited as fully paid and will rank *pari passu* in all respects with the existing issued Ordinary Shares in the capital of the Company, including the right to receive all dividends and other distributions declared, made or paid in respect of such Ordinary Shares after the date of issue, or sale, of the Placing Shares.

The Placing Agreement contains certain undertakings, warranties given by the Company and the Directors for the benefit of Panmure Gordon and indemnities given by the Company for the benefit of Panmure Gordon. Panmure Gordon has absolute discretion as to whether or not to bring an action against the Company or Directors for breach of these undertakings, warranties and indemnities.

Panmure Gordon has the right to terminate the Placing Agreement in certain circumstances, details of which are set out below.

### **Application for Admission**

Application will be made to the London Stock Exchange for Admission.

It is expected that Admission will take place at 8.00 a.m. on 2 September 2020 and that dealings in the Placing Shares on AIM will commence at the same time.

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

Panmure Gordon is acting as nominated adviser and broker to the Placing, as agent for and on behalf of the Company (and, in respect of the Sale Shares, as agent for the Selling Shareholder). Panmure Gordon is authorised and regulated in the United Kingdom by the FCA, is acting exclusively for the Company and the Selling Shareholder and no one else in connection with the matters referred to in this Part VI and will not be responsible to anyone other than the Company for providing the protections afforded to the customers of Panmure Gordon or for providing advice in relation to the matters described in this Part VI.

Participation in the Placing will only be available to persons who may lawfully be, and are, invited by Panmure Gordon to participate. Panmure Gordon and any of its affiliates are entitled to participate in the Placing as principal.

The exact number of Placing Shares to be allocated and issued to each Placee shall be determined by Panmure Gordon in consultation with the Company.

Each Placee's allocation of Placing Shares will be communicated orally by Panmure Gordon to the relevant Placee. That oral confirmation will give rise to an irrevocable, legally binding commitment by such Placee, in favour of Panmure Gordon and the Company and the Selling Shareholder, under which it agrees to acquire the number of Placing Shares allocated to it at the Placing Price and otherwise on the terms and subject to the conditions set out in this Part VI and in accordance with the Company's articles of association. Except with Panmure Gordon's consent, such commitment will not be capable of variation, revocation, termination or rescission at either the time of such oral confirmation or any time thereafter.

Each Placee's allocation and commitment will be evidenced by a contract note issued to such Placee by Panmure Gordon. The contract note will set out the number of Placing Shares allocated, the Placing Price and the aggregate amount owed by such Placee to Panmure Gordon. The terms of this Part VI will be deemed incorporated in that contract note.

An offer to acquire Placing Shares which has been communicated by a prospective Placee to Panmure Gordon which has not been withdrawn or revoked prior to publication of this document shall not be capable of withdrawal or revocation immediately following the publication of this document without the consent of Panmure Gordon.

The Placing Price shall be payable to Panmure Gordon by all Placees.



Each Placee will have an immediate, separate, irrevocable and binding obligation, owed to Panmure Gordon (as agent for the Company or the Selling Shareholder, as applicable), to pay to it (or as it may direct) in cleared funds an amount equal to the product of the Placing Price and the number of Placing Shares such Placee has agreed to acquire and the Company has agreed to allot and issue, or the Selling Shareholder has agreed to sell, to that Placee.

Irrespective of the time at which a Placee's allocation(s) pursuant to the Placing is/are confirmed, settlement for all Placing Shares to be acquired pursuant to the Placing will be required to be made on the basis explained below under "Registration and Settlement".

All obligations of Panmure Gordon under the Placing will be subject to fulfilment of the conditions referred to below under "Conditions of the Placing" and to the Placing not being terminated on the basis referred to below under "Termination of the Placing".

By participating in the Placing, each Placee will agree that its rights and obligations in respect of the Placing will terminate only in the circumstances described below and/or set out in the Placing Agreement will not be capable of rescission or termination by the Placee.

To the fullest extent permissible by law and applicable FCA rules, none of (a) Panmure Gordon, (b) any of Panmure Gordon's affiliates, agents, directors, officers, employees or consultants, (c) to the extent not contained within (a) or (b), any person connected with Panmure Gordon as defined in the FSMA ((b) and (c) being together "**affiliates**" and individually an "**affiliate**" of Panmure Gordon) or (d) any person acting on Panmure Gordon's behalf; shall have any liability (including to the extent permissible by law, any fiduciary duties) to any Placee or to any other person whether acting on behalf of a Placee or otherwise. In particular, neither Panmure Gordon nor any of its respective affiliates shall have any liability (including, to the extent permissible by law, any fiduciary duties) in respect of their conduct of the Placing or of such alternative method of effecting the Placing as Panmure Gordon and the Company may agree.

### **Registration and Settlement**

Each Placee which has been allocated Placing Shares in the Placing will be sent a contract note by Panmure Gordon stating, inter alia, the number of Placing Shares allocated to it, the Placing Price, the aggregate amount owed by them to Panmure Gordon.

Each Placee will be deemed to agree that it will do all things necessary to ensure that delivery and payment is completed as directed by Panmure Gordon in accordance with either the standing CREST or certificated settlement instructions which they have in place with Panmure Gordon.

Settlement of transactions in the Placing Shares (ISIN: GB00BMCZLK30) will take place within the CREST system, subject to certain exceptions. Settlement through CREST will be with respect to the Placing Shares on a T+4 basis unless otherwise notified by Panmure Gordon and is expected to occur at 8.00 a.m. on 2 September 2020.

In accordance with the contract note, settlement will be on a delivery versus payment basis.

In the event of any difficulties or delays in the admission of the Placing Shares to CREST or the use of CREST in relation to the Placing, the Company and Panmure Gordon may agree that the Placing Shares should be issued in certificated form.

Panmure Gordon reserves the right to require settlement for the Placing Shares, and to deliver the Placing Shares to Placees, by such other means as it deems necessary if delivery or settlement to Placees is not practicable within the CREST system or would not be consistent with regulatory requirements in a Placee's jurisdiction.

Interest is chargeable daily on payments not received from Placees on the due date in accordance with the arrangements set out above, in respect of either CREST or certificated deliveries, at the rate of two percentage points above prevailing LIBOR as determined by Panmure Gordon.

Each Placee is deemed to agree that if it does not comply with these obligations, Panmure Gordon may sell any or all of their Placing Shares on their behalf and retain from the proceeds, for Panmure Gordon's account and benefit, an amount equal to the aggregate amount owed by the Placee plus any interest due. The relevant Placee will, however, remain liable for any shortfall below the aggregate amount owed by it and for any stamp duty or stamp duty reserve tax (together with any interest or penalties) which may arise upon the sale of their Placing Shares on their behalf.

If Placing Shares are to be delivered to a custodian or settlement agent, Placees must ensure that, upon receipt, the contract note is copied and delivered immediately to the relevant person within that organisation. Insofar as Placing Shares are registered in a Placee's name or that of its nominee or in the name of any person for whom a Placee is contracting as agent or that of a nominee for such person, such Placing Shares should, subject as provided below, be so registered free from any liability to United Kingdom stamp duty or stamp duty reserve tax.

### **Conditions of the Placing**

The Placing is conditional upon the Placing Agreement becoming unconditional and not having been terminated in accordance with its terms.

The obligations of Panmure Gordon under the Placing Agreement are, and the Placing is, conditional upon, inter alia:

1. none of the warranties or undertakings provided in the Placing Agreement, by the Company or the Directors, being or having become untrue, inaccurate or misleading in any material respect at any time before Admission and no fact or circumstance having arisen which would constitute a material breach of any such warranties;
2. the performance by the Company of certain obligations under the Placing Agreement to the extent that they fail to be performed prior to Admission; and
3. Admission occurring not later than 8.00 a.m. on 2 September 2020 or such later time as Panmure Gordon may agree in writing with the Company (but in any event not later than 8.00 a.m. on 16 September 2020),

(all conditions to the obligations of Panmure Gordon included in the Placing Agreement being together, the "**Conditions**").

If any of the conditions set out in the Placing Agreement are not fulfilled or, where permitted, waived in accordance with the Placing Agreement within the stated time periods (or such later time and/or date as the Company and Panmure Gordon may agree), or the Placing Agreement is terminated in accordance with the circumstances described under "Termination of the Placing" below, the Placing will lapse and the Placee's rights and obligations shall cease and terminate at such time, all monies received from a Placee pursuant to the Placing shall be returned to such Placee without interest, at the risk of the relevant Placee and each Placee agrees that no claim can be made by or on behalf of the Placee (or any person on whose behalf the Placee is acting) in respect thereof.

Certain Conditions may be waived in whole or in part by Panmure Gordon in its absolute discretion and Panmure Gordon may also agree in writing with the Company to extend the time for satisfaction of any condition. Any such extension or waiver will not affect Placees' commitments as set out in this Part VI.

Panmure Gordon may terminate the Placing Agreement in certain circumstances, details of which are set out below.

None of Panmure Gordon, the Company nor any of their respective affiliates, agents, consultants, directors, employees or officers shall have any liability to any Placee (or to any other person whether acting on behalf of a Placee or otherwise) in respect of any decision any of them may

make as to whether or not to waive or to extend the time and/or date for the satisfaction of any condition to the Placing nor for any decision any of them may make as to the satisfaction of any condition or in respect of the Placing generally and by participating in the Placing each Placee agrees that any such decision is within the absolute discretion of Panmure Gordon.

### **Termination of the Placing**

Panmure Gordon may terminate its obligation under the Placing Agreement, in accordance with its terms, at any time prior to Admission if, inter alia:

1. it comes to the notice of Panmure Gordon that any statement contained in the document, or any other document or announcement issued or published by or on behalf of the Company in connection with the Placing, is or has become untrue, incorrect or misleading in any material respect;
2. it comes to the knowledge of Panmure Gordon that any of the warranties in the Placing Agreement was untrue, inaccurate or misleading when made and or that any of the warranties in the Placing Agreement have at any time prior to Admission ceased to be true or accurate or have become misleading in each case in any material respect by reference to the facts and circumstances from time to time subsisting or a matter has arisen which gives rise to a claim under any of the indemnities in the Placing Agreement;
3. the Company shall fail or be unable to comply with any of its obligations under the Placing Agreement or otherwise relating to the Placing and which is material in the context of the Placing Agreement or the Placing;
4. there has occurred any material adverse change in the financial position or prospects of the Company; or
5. there has occurred any change in national or international financial, monetary, economic, industrial, political, legal or market conditions (including, without limitation, fluctuations in exchange rates) or there has occurred any international or national crisis, act of terrorism or outbreak of hostilities.

If the Placing Agreement is terminated in accordance with its terms, the rights and obligations of each Placee in respect of the Placing as described in this Part VI shall cease and terminate at such time, all monies received from a Placee pursuant to the Placing shall be returned to such Placee without interest, at the risk of the relevant Placee and each Placee agrees that no claim can be made by or on behalf of the Placee (or any person on whose behalf the Placee is acting) in respect thereof.

By participating in the Placing, each Placee agrees with the Company and Panmure Gordon that the exercise by the Company, or Panmure Gordon, of any right of termination or any other right or other discretion under the Placing Agreement shall be within the absolute discretion of the Company or Panmure Gordon and that neither the Company nor Panmure Gordon needs make any reference to such Placee and that none of Panmure Gordon, the Company, nor any of their respective affiliates, agents, directors, officers or employees shall have any liability to such Placee (or to any other person whether acting on behalf of a Placee or otherwise) whatsoever in connection with any such exercise.

### **No prospectus**

No prospectus has been or will be submitted to be approved by the FCA in relation to the Placing or the Placing Shares and no such prospectus is required on the basis that all offers of Placing Shares will be made pursuant to an exemption under the Prospectus Regulation from the requirement to produce a prospectus.

Placees' commitments will be made solely on the basis of the information contained in this Part VI and subject to any further terms set forth in the contract note to be sent to individual Placees.

### **Representations, warranties and further terms**

By participating in the Placing, each Placee and/or any person acting on such Placee's behalf acknowledges, agrees, represents, undertakes, and warrants with Panmure Gordon (for itself and as agent on behalf of the Company and the Selling Shareholder) that (save where Panmure Gordon expressly agrees in writing to the contrary):

1. it has read and understood this Part VI in its entirety and it agrees and acknowledges that the issue and/ or acquisition of the Placing Shares is subject to and based upon all the terms, conditions, representations, warranties, indemnities, acknowledgements, agreements, undertakings and other information contained in this Part VI;
2. it is a Relevant Person and undertakes that it will acquire, hold, manage and (if applicable) dispose of any Placing Shares that are allocated to it for the purposes of its business;
3. in the case of a Relevant Person in a Relevant Member State who acquires any Placing Shares pursuant to the Placing:
  - a. it is a Qualified Investor; and
  - b. in the case of any Placing Shares acquired by it as a financial intermediary, as that term is used in Regulation 5(1) of the Prospectus Regulation:
    - i. the Placing Shares acquired by it in the Placing have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale in circumstances where the Prospectus Regulation applies or to, persons in any Relevant Member State other than Qualified Investors or in circumstances in which the prior consent of Panmure Gordon has not been given to the offer or resale; or
    - ii. where Placing Shares have been acquired by it on behalf of persons in any member state of the EEA other than Qualified Investors, the offer of those Placing Shares to it is not treated under the Prospectus Regulation as having been made to such persons;
4. it is not, and any person who it is acting on behalf of is not, and at the time the Placing Shares are acquired will not be, a resident of, or with an address in, or subject to the laws of, Australia, New Zealand, Canada, Japan or the Republic of South Africa, and it acknowledges and agrees that the Placing Shares have not been and will not be registered or otherwise qualified under the securities legislation of Australia, New Zealand, Canada, Japan or the Republic of South Africa and may not be offered, sold or acquired, directly or indirectly, within those jurisdictions;
5. it acknowledges that no action has been or will be taken by any of the Company, the Selling Shareholder, Panmure Gordon or any person acting on their behalf that would, or is intended to, permit a public offer of the Placing Shares in the United States or in any country or jurisdiction where any such action for that purpose is required. In addition, the Placing Shares have not been registered or otherwise qualified, and will not be registered or otherwise qualified, for offer and sale nor will a prospectus be cleared or approved in respect of any of the Placing Shares under the securities laws of the United States (or any state or other jurisdiction of the United States) Australia, New Zealand, Canada, Japan or the Republic of South Africa and, subject to certain exceptions, may not be offered, sold, taken up, renounced or delivered or transferred, directly or indirectly, within the United States, Australia, New Zealand, Canada, Japan or the Republic of South Africa or in any country or jurisdiction where any such action for that purpose is required;

6. it will not distribute, forward, transfer or otherwise transmit this document or any part of it, or any other presentational or other materials concerning the Placing in or into or from the United States (including electronic copies thereof) to any person, and it has not distributed, forwarded, transferred or otherwise transmitted any such materials to any person;
7. it and the beneficial owner of the Placing Shares:
  - a. is, and at the time the Placing Shares are acquired will be, outside the United States and acquiring the Placing Shares in an “offshore transaction” as defined in, and in accordance with, Regulation S under the US Securities Act; or
  - b. is acquiring the Placing Shares pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in accordance with applicable state securities laws;
8. it and/or each person on whose behalf it is participating (i) is entitled to acquire Placing Shares pursuant to the Placing under the laws and regulations of all relevant jurisdictions; (ii) has fully observed such laws and regulations; and (iii) has the capacity and has obtained all requisite authorities and consents (including, without limitation, in the case of a person acting on behalf of a Placee, all requisite authorities and consents to agree to the terms set out or referred to in this Part VI) under those laws or otherwise and has complied with all necessary formalities to enable it to enter into the transactions and make the acknowledgements, agreements, indemnities, representations, undertakings and warranties contemplated hereby and to perform and honour its obligations in relation thereto on its own behalf (and in the case of a person acting on behalf of a Placee on behalf of that Placee); (iv) does so agree to the terms set out in this Part VI and does so make the acknowledgements, agreements, indemnities, representations, undertakings and warranties contained in this Part VI on its own behalf (and in the case of a person acting on behalf of a Placee on behalf of that Placee); and (v) is and will remain liable to the Company and the Selling Shareholder and Panmure Gordon for the performance of all its obligations as a Placee of the Placing (whether or not it is acting on behalf of another person);
9. it is acquiring the Placing Shares for its own account or if it is acquiring the Placing Shares on behalf of another person it confirms that it exercises sole investment discretion in relation to such other person’s affairs and, in particular, if it is a pension fund or investment company it is aware of and acknowledges it is required to comply with all applicable laws and regulations with respect to its acquisition of Placing Shares;
10. it understands (or if acting on behalf of another person, such person has confirmed that such person understands) the resale and transfer restrictions set out in this Part VI;
11. it has not received a prospectus or other offering document in connection with the Placing and acknowledges that no prospectus or other offering document: (i) is required under the Prospectus Regulation; and (ii) has been or will be prepared in connection with the Placing;
12. it has made its own assessment of the Company, the Placing Shares and the terms of the Placing and has relied on its own investigation of the business, financial or other position of the Company in accepting a participation in the Placing. It has not relied on (i) any investigation that Panmure Gordon or any person acting on Panmure Gordon’s behalf may have conducted with respect to the Company, the Placing or the Placing Shares; or (ii) any other information given or any other representations, statements or warranties made at any time by any person in connection with Admission, the Company, the Placing, the Placing Shares or otherwise;
13. none of Panmure Gordon, the Company, the Selling Shareholder or any of their respective affiliates, agents, consultants, directors, employees, officers or any person acting on behalf of any of them has provided, nor will provide, it with any material regarding the Placing Shares or the Company or any other person in addition to the information in this document;

nor has it requested Panmure Gordon, the Company, the Selling Shareholder or any of their respective affiliates, agents, consultants, employees, directors or officers or any person acting on behalf of any of them to provide it with any such information;

14. the content of this document has been prepared by and is exclusively the responsibility of the Company. Neither Panmure Gordon nor any persons acting on behalf of it are responsible for or has or shall have any liability for any information, representation, warranty or statement, written or oral relating to the Company and either contained in this document or previously or concurrently published by or on behalf of the Company. Panmure Gordon will not be liable for any Placee's decision to participate in the Placing based on any information, representation, warranty or statement contained in this document or otherwise. None of Panmure Gordon, the Company, the Selling Shareholder nor any of their respective affiliates, agents, consultants, directors, employees or officers has made any representation or warranty to the Placee, express or implied, with respect to the Company, the Placing or the Placing Shares or the accuracy, completeness or adequacy of the information in this document. Nothing in this Part VI shall exclude any liability of any person for fraudulent misrepresentation;
15. the only information on which it is entitled to rely and on which it has relied in committing to subscribe for the Placing Shares is contained in this document. It has satisfied itself that such information is still current and is all that it deems necessary to make an investment decision in respect of the Placing Shares;
16. it has the funds available to pay for the Placing Shares which it has agreed to acquire and acknowledges, agrees and undertakes that it will make payment to Panmure Gordon for the Placing Shares allocated to it in accordance with the terms and conditions of this Part VI on the due times and dates set out in this Part VI or the relevant contract note, failing which the relevant Placing Shares may be placed with others on such terms as Panmure Gordon may, in its absolute discretion determine without liability to the Placee and it will remain liable for any shortfall below the net proceeds of such sale and the placing proceeds of such Placing Shares and may be required to bear any stamp duty or stamp duty reserve tax (together with any interest or penalties due pursuant to the terms set out or referred to in this Part VI) which may arise upon the sale of such Placee's Placing Shares on its behalf;
17. it, or the person specified by it for registration as a holder of the Placing Shares will be responsible for any liability to stamp duty or stamp duty reserve tax payable on the acquisition of any of the Placing Shares or the agreement to subscribe for the Placing Shares and shall indemnify the Company and the Selling Shareholder (as applicable) and Panmure Gordon in respect of the same on the basis that the Placing Shares will be allotted to a CREST stock account of Panmure Gordon who will hold them as nominee on behalf of such Placee (or the person specified by it for registration as holder of the Placing Shares) until settlement with it in accordance with its standing settlement instructions;
18. the allocation, allotment, issue and delivery to it, or the person specified by it for registration as holder, of Placing Shares will not give rise to a stamp duty or stamp duty reserve tax liability under (or at a rate determined under) any of sections 67, 70, 93 or 96 of the Finance Act 1986 (depository receipts and clearance services) and that no instrument under which it subscribes for or agrees to acquire Placing Shares (whether as principal, agent or nominee) would be subject to stamp duty or stamp duty reserve tax at the increased rates referred to in those sections and that it, or the person specified by it for registration as holder of the Placing Shares, is not participating in the Placing as nominee or agent for any person or persons to whom the allocation, allotment, issue or delivery of Placing Shares would give rise to such a liability;
19. it has only communicated or caused to be communicated and it will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) relating to Placing Shares in circumstances

in which section 21(1) of the FSMA does not require approval of the communication by an authorised person and it acknowledges and agrees that Panmure Gordon has not approved this document in its capacity as an authorised person under section 21 of FSMA and it may not therefore be subject to the controls which would apply if it was made or approved as a financial promotion by an authorised person;

20. it has complied and it will comply with all applicable laws with respect to anything done by it or on its behalf in relation to the Placing Shares (including all relevant provisions of the FSMA in respect of anything done in, from or otherwise involving the United Kingdom);
21. none of Panmure Gordon, the Company, the Selling Shareholder nor any of their respective affiliates, agents, consultants, directors, employees or officers or any person acting on behalf of any of them are making any recommendations to it, advising it regarding the suitability of any transactions it may enter into in connection with the Placing nor providing advice in relation to the Placing nor in respect of any acknowledgements, agreements, indemnities, representations, undertakings or warranties contained in the Placing Agreement nor the exercise or performance of Panmure Gordon's rights and obligations thereunder, including any rights to waive or vary any conditions or exercise any termination right. Its participation in the Placing is on the basis that it is not and will not be a client of Panmure Gordon and Panmure Gordon has no duties or responsibilities to it for providing the protections afforded to its clients or customers under the rules of the FCA, and any payment by it will not be treated as client money governed by the rules of the FCA;
22. Panmure Gordon and each of its affiliates, each acting as an investor for its or their own account(s), may, in accordance with applicable legal and regulatory provisions, bid or subscribe for and/or purchase Placing Shares and, in that capacity, may retain, purchase, offer to sell or otherwise deal for its or their own account(s) in the Placing Shares, any other securities of the Company or other related investments in connection with the Placing or otherwise. Accordingly, references in this Part VI to the Placing Shares being offered, subscribed, acquired or otherwise dealt with should be read as including any offer to, or subscription, acquisition or dealing by, Panmure Gordon and/or any of its affiliates, acting as an investor for its or their own account(s). Neither Panmure Gordon, nor the Company intends to disclose the extent of any such investment or transaction otherwise than in accordance with any legal or regulatory obligation to do so;
23. it will not make any offer to the public of the Placing Shares and it has not offered or sold and will not offer or sell any Placing Shares to persons in the United Kingdom or elsewhere in the EEA prior to the expiry of a period of six months from Admission except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purpose of their business or otherwise in circumstances which have not resulted and which will not result in an offer to the public in the United Kingdom for the purposes of section 85(1) of FSMA or an offer to the public in any other member state of the EEA within the meaning of the Prospectus Regulation;
24. it has complied with its obligations in connection with money laundering and terrorist financing under the Proceeds of Crime Act 2002, the Terrorism Act 2000, the Terrorism Act 2006, the Anti Terrorism Crime and Security Act 2001 and the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (together, the "**Regulations**") and, if making payment on behalf of a third party, that satisfactory evidence has been obtained and recorded by it to verify the identity of the third party as required by the Regulations;
25. it is aware of the obligations regarding insider dealing in the Criminal Justice Act 1993, market abuse under the MAR and the Proceeds of Crime Act 2002 and confirms that it has and will continue to comply with those obligations;

26. it has neither received nor relied on any confidential or price-sensitive information concerning the Company in accepting this invitation to participate in the Placing;
27. if it has received any 'inside information' (for the purposes of the MAR and section 56 of the Criminal Justice Act 1993) in relation to the Company and its securities, it confirms that it has received such information within the market soundings regime provided for in article 11 of the MAR and associated delegated regulations and it has not: (i) dealt (or attempted to deal) in the securities of the Company; (ii) encouraged, recommended or induced another person to deal in the securities of the Company; or (iii) unlawfully disclosed inside information to any person, prior to the information being made publicly available;
28. in order to ensure compliance with the Money Laundering Regulations 2017, Panmure Gordon (for itself and as agent on behalf of the Company and the Selling Shareholder) or the Company's registrars may, in their absolute discretion, require verification of its identity. Pending the provision to Panmure Gordon or the Company's registrars, as applicable, of evidence of identity, definitive certificates in respect of the Placing Shares may be retained at Panmure Gordon's absolute discretion or, where appropriate, delivery of the Placing Shares to it in uncertificated form may be delayed at Panmure Gordon's or the Company's registrars', as the case may be, absolute discretion. If within a reasonable time after a request for verification of identity Panmure Gordon (for itself and as agent on behalf of the Company and the Selling Shareholder) or the Company's registrars have not received evidence satisfactory to them, Panmure Gordon and/or the Company may, at their absolute discretion, terminate their commitment in respect of the Placing, in which event the monies payable on acceptance of allotment will, if already paid, be returned without interest to the account of the drawee's bank from which they were originally debited;
29. it acknowledges that its commitment to acquire Placing Shares on the terms set out in this Part VI and in the contract note will continue notwithstanding any amendment that may in future be made to the terms and conditions of the Placing and that Placees will have no right to be consulted or require that their consent be obtained with respect to the Company's or Panmure Gordon's conduct of the Placing;
30. it has knowledge and experience in financial, business and international investment matters as is required to evaluate the merits and risks of subscribing for the Placing Shares. It further acknowledges that it is experienced in investing in securities of this nature and is aware that it may be required to bear, and is able to bear, the economic risk of, and is able to sustain, a complete loss in connection with the Placing. It has relied upon its own examination and due diligence of the Company and its affiliates taken as a whole, and the terms of the Placing, including the merits and risks involved;
31. it irrevocably appoints any duly authorised officer of Panmure Gordon as its agent for the purpose of executing and delivering to the Company and/or its registrars any documents on its behalf necessary to enable it to be registered as the holder of any of the Placing Shares for which it agrees to subscribe or purchase upon the terms of this Part VI;
32. the Company, the Selling Shareholder, Panmure Gordon and others (including each of their respective affiliates, agents, directors, officers or employees) will rely upon the truth and accuracy of the foregoing representations, warranties, acknowledgements and agreements, which are given to Panmure Gordon, on its own behalf and on behalf of the Company and the Selling Shareholder and are irrevocable, and agree that if any of the representations and agreements deemed to have been made by it by its subscription for, or purchase of, Placing Shares, are no longer accurate, it shall promptly notify the Company and Panmure Gordon;
33. time is of the essence as regards its obligations under this Part VI;
34. any document that is to be sent to it in connection with the Placing will be sent at its risk and may be sent to it at any address provided by it to Panmure Gordon; and



35. the terms and conditions in this Part VI and all documents into which this document is incorporated by reference or otherwise validly forms a part and/or any agreements entered into pursuant to these terms and conditions and all agreements to acquire Placing Shares pursuant to the Placing will be governed by and construed in accordance with English law and it submits to the exclusive jurisdiction of the English courts in relation to any claim, dispute or matter arising out of any such contract, except that enforcement proceedings in respect of the obligation to make payment for the Placing Shares (together with any interest chargeable thereon) may be taken by the Company or Panmure Gordon in any jurisdiction in which the relevant Placee is incorporated or in which any of its securities have a quotation on a recognised stock exchange.

By participating in the Placing, each Placee (and any person acting on such Placee's behalf) agrees to indemnify and hold the Company, the Selling Shareholder, Panmure Gordon and each of their respective affiliates, agents, consultants, directors, employees and officers harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of any of the acknowledgements, agreements, representations, undertakings and warranties given by the Placee (and any person acting on such Placee's behalf) in this Part VI or incurred by Panmure Gordon, the Company, the Selling Shareholder or any of their respective affiliates, agents, consultants, directors, employees or officers arising from the performance of the Placee's obligations as set out in this Part VI, and further agrees that the provisions of this Part VI shall survive completion of the Placing.

The agreement to allot and issue, or sell, Placing Shares to Placees (or the persons for whom Placees are contracting as agent) free of stamp duty and stamp duty reserve tax in the United Kingdom relates only to their allotment and issue to Placees, or such persons as they nominate as their agents, directly by the Company. Such agreement assumes that the Placing Shares are not being acquired in connection with arrangements to issue depositary receipts or to transfer the Placing Shares into a clearance service. If there are any such arrangements, or the settlement relates to any other dealings in the Placing Shares, stamp duty or stamp duty reserve tax may be payable. In that event, the Placee agrees that it shall be responsible for such stamp duty or stamp duty reserve tax and neither the Company nor Panmure Gordon shall be responsible for such stamp duty or stamp duty reserve tax. If this is the case, each Placee should seek its own advice and they should notify Panmure Gordon accordingly. In addition, Placees should note that they will be liable for any capital duty, stamp duty and all other stamp, issue, securities, transfer, registration, documentary or other duties or taxes (including any interest, fines or penalties relating thereto) payable outside the United Kingdom by them or any other person on the acquisition by them of any Placing Shares or the agreement by them to acquire any Placing Shares and each Placee, or the Placee's nominee, in respect of whom (or in respect of the person for whom it is participating in the Placing as an agent or nominee) the allocation, allotment, issue or delivery of Placing Shares has given rise to such non-United Kingdom stamp, registration, documentary, transfer or similar taxes or duties undertakes to pay such taxes and duties, including any interest and penalties (if applicable), forthwith and to indemnify on an after-tax basis and to hold harmless the Company and Panmure Gordon in the event that either the Company and/or Panmure Gordon has incurred any such liability to such taxes or duties.

The acknowledgements, representations, undertakings and warranties contained in this Part VI are given to Panmure Gordon for itself and as agent on behalf of the Company and the Selling Shareholder and are irrevocable and will survive completion of the Placing.

Each Placee and any person acting on behalf of the Placee acknowledges that Panmure Gordon does not owe any fiduciary or other duties to any Placee in respect of any acknowledgements, agreements, indemnities, representations, undertakings or warranties in the Placing Agreement.

When a Placee or any person acting on behalf of the Placee is dealing with Panmure Gordon, any money held in an account with Panmure Gordon on behalf of the Placee and/or any person acting on behalf of the Placee will not be treated as client money within the meaning of the relevant rules

and regulations of the FCA made under FSMA. Each Placee acknowledges that the money will not be subject to the protections conferred by the client money rules: as a consequence this money will not be segregated from Panmure Gordon's money (as applicable) in accordance with the client money rules and will be used by it in the course of its own business and the Placee will rank only as a general creditor of Panmure Gordon.

References to time in this Part VI are to London time, unless otherwise stated. All times and dates in this Part VI may be subject to amendment.



