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17 November 2020

**GLI Finance Limited  
("the Group", "the Company" or "GLI")**

**Firm Placing and Open Offer of New Ordinary Shares  
Bond Issue and Warrant Issue  
ZDP Continuation  
Approval of waiver of Rule 9 of the City Code on Takeovers and Mergers  
Adoption of New Articles  
and  
Notices of Class Meetings and Extraordinary General Meeting**

The Board of GLI is pleased to announce proposals for a fundraising, a refinancing of the Group's liabilities and a restructuring of the business to focus its resources on delivering the strategy of Sancus BMS Group, the Group's secured property focussed lending division.

**Transaction Summary**

- Proposed Firm Placing and Open Offer to raise up to £4 million at an Issue Price of 2.25p, of which £2.95 million has been underwritten by Somerston Group, GLI's largest shareholder.
- Proposed refinancing of the Group's Existing Bonds by way of a Bond Issue, with attaching warrants, of up to £15 million, for which commitments of £8.2 million have been received including £6 million from Somerston Group.
- Proposed continuation of the Group's ZDP Shares, with extension of the final capital repayment to December 2022.
- Extension of, with potential further extension and increase to, the Group's credit facility with Honeycomb Investment Trust ("HIT").

Full implementation of the Proposals would result in the Concert Party (comprising Somerston Group and affiliated entities) holding a maximum potential interest in the Company of 58.65 per cent., which would otherwise trigger certain obligations under Rule 9 of the Takeover Code, and is therefore subject to the Panel Waiver. The Proposals (with the exception of the potential extension and increase of the HIT facility) are subject to the passing of inter-conditional resolutions at the Meetings by Ordinary Shareholders, Independent Shareholders in respect of the Panel Waiver, and ZDP Shareholders.

A circular setting out further details of the Proposals and including notices of the Meetings will be posted to Shareholders later today, a copy of which will also be available to download at the Company's website at [www.glifinance.com](http://www.glifinance.com).

**Andy Whelan, Chief Executive Officer of GLI Finance Limited, commented:**

"We are delighted that Somerston Group has provided further support to the Company during a period of challenging events both globally with the global health pandemic; and in the UK with Brexit deadline fast approaching. I would also like to thank all stakeholders; Ordinary & ZDP shareholders, Bond holders and Pollen Street Capital (the Manager of Honeycomb Investment Trust) for their continued support."

*This announcement contains inside information which is disclosed in accordance with the Market Abuse Regulation (No 596/2014)*

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## **1 Introduction**

Your Board today announces proposals for an Issue of New Ordinary Shares by way of a Firm Placing and Open Offer, a Bond Issue combined with a Warrant Issue, the continuation of the ZDP Shares to 5 December 2022, the Panel Waiver and the Business Restructuring of the Group.

The Company has experienced a significant period of challenging trading, which has been reflected in the market price of its Ordinary Shares. The Board has seen diminishing returns from FinTech Ventures, its portfolio of SME-focussed lending platforms, which has suffered from increased competition, the impact of the Covid-19 pandemic and, due to its size, difficulty in raising additional equity. While the pandemic temporarily impacted the Group's property backed and SME-lending business, Sancus BMS Group, trading has been recovering and management have maintained a keen focus on efficient capital allocation and cost management.

The Board now believes that the only investment of the Group that has any significant tangible value and potential for substantial growth is the Sancus BMS Group. The Board therefore intends to restructure the business, focusing its resources on delivering the business plan for this secured property focussed lending business. The Board also intends to rebrand the Company under a new corporate name to reflect this focus, and expects to put a resolution to Shareholders in that regard at the Company's next annual general meeting.

The Company has the support of Somerston Group, its largest Shareholder. Somerston Fintech and Golf have each signed an irrevocable undertaking in respect of the Proposals, subject to certain conditions as described at paragraph 13 below. Further details of Somerston's participation in the Proposals are set out in the Circular. Following announcement of the Board's intention to conduct a restructuring and refinancing in the Group's interim results on 30 September 2020, management has received commitments of support for the transaction from other key Shareholders.

The Company now proposes a transaction to recapitalise the Company, supported by total funding commitments of £8.95 million from Somerston Group that comprises:

- a restructuring of the Group's business to focus on the Sancus BMS Group;
- raising up to approximately £4 million of new equity by way of the issue of New Ordinary Shares pursuant to the Firm Placing and Open Offer at an Issue Price of 2.25 pence per New Ordinary Share, which represents the closing mid-market share price on 16 November 2020;
- the ZDP Continuation such that the payment of the final capital entitlement of the ZDP Shares is deferred until December 2022;
- refinancing the Existing Bonds by the issue of up to £15 million in New Bonds with a maturity date in five years' time (together with Warrants exchangeable into

- Ordinary Shares at an exercise price of 2.25 pence per Ordinary Share); and
- the increase and extension of the Group's credit facility with Honeycomb Investment Trust.

Certain of the Shareholders, being Somerston Fintech, Golf, Neslo, Lexo Investments Limited, and La

Hauteur Investments Limited, are regarded to be acting in concert for the purposes of the Takeover Code. Upon completion of the Open Offer and the Placing, the Concert Party may be interested in up to 221,454,180 New Ordinary Shares, representing approximately 49.97 per cent. of the voting rights of the Company (assuming no subsequent changes to the share capital of the Company). Upon implementation of the Proposals and exercise in full at the earliest opportunity of the maximum potential number of Warrants to be granted to Somerston Fintech and Neslo, the Concert Party may be interested in up to 314,521,312 Ordinary Shares, representing approximately 58.65 per cent. of the voting rights of the Company (assuming no subsequent changes to the share capital of the Company and no additional subscription for New Bonds or Warrants by the Concert Party). Without the Panel Waiver, these acquisitions would require the Concert Party to make a general offer for the entire issued and to be issued share capital of the Company not already held by the Concert Party. The Panel has agreed to grant the Panel Waiver, subject to the passing of the Waiver Resolution by Independent Shareholders, to be taken on a poll.

The Proposals (with the exception of the increase and extension of the HIT Facility) are inter-conditional and include elements that require the approval of Ordinary Shareholders and ZDP Shareholders at the Meetings. The Circular sets out details of the Proposals and the reasons why the Board recommends that Shareholders vote in favour of the Resolutions to be proposed at the Meetings.

This Circular also sets out the terms of the Open Offer by which Qualifying Shareholders may participate in the Issue.

## **2 Background to and reasons for the Proposals**

The Company is an alternative finance business which aims to produce a stable and predictable cash flow and a double digit return on equity, whilst at least preserving its capital value. As noted in the June 2020 Interim Results, the Company has certain liabilities that fall due in the next 12 months which are noted below:

- the 2020 Final Capital Entitlement in respect of the ZDP Shares is payable on 5 December 2020 in an aggregate amount of approximately £12.4 million;
- the facility with Honeycomb Investment Trust (the "**HIT Facility**"), which as at 30 June 2020 was drawn down as to £40.8 million, expires on 28 January 2021; and
- the Existing Bonds are repayable on 30 June 2021 in an aggregate principal amount of £10 million, plus accrued interest.

The Company has been considering its options regarding these liabilities and believes the Proposals will address this and ensure the Company is appropriately capitalised to maximise shareholder value. The net proceeds of the Issue and the Bond Issue will be used to repay the Existing Bonds, to finance the potential Tender Offer of ZDP Shares described in paragraph 12 below and to recapitalise the Group following the Business Restructuring.

Since the release of the Company's interim results on 30 September 2020, the Company has continued to witness encouraging new loan origination as other lenders pull back from the market (and, in some cases, ceased trading), and in the UK especially, it has a large pipeline of loans. With the extension of the HIT Facility as part of the Proposals this will allow the UK and Irish loan books in particular to grow significantly.

## **3 Trading update and fintech portfolio**

Group trading for the third quarter of 2020 has continued on the same trajectory as seen in the first half of 2020. Despite seeing a decrease in new loan deployments compared to prior years due to lockdown restrictions, the Group has continued to write new business whilst maintaining a keen focus on cost control. The pipeline of loan origination remains strong, particularly in the UK and Ireland; the Group's largest jurisdictions and where the Group's future focus lies.

As part of its review of the Group's operations and loan book in connection with the proposed Business Restructuring, the Board has identified potential for provisions and write-downs of assets which may need to be adopted as part of its 2020 year-end audit. In

particular, the refinancing of a development loan, against which the Group has previously taken a partial write-down, has faced further delays and challenges in securing repayment and may need to be fully provided for, which would result in a write down of £1 million.

Furthermore, the Group has seen diminishing returns from its Fintech Ventures division, which at 30 June 2020 had net assets of £2.5m. The Board recognise the risks and challenges to the valuation of this portfolio of SME-focussed lending platforms, as prolonged stresses to portfolio profitability and cash flow necessitate the need for additional equity and working capital, and a review at the time of the year-end audit could lead to a partial or full write-down of the Fintech Ventures portfolio.

#### **4 Importance of voting on the Proposals**

The Board believes that there is strong support amongst Ordinary Shareholders and ZDP Shareholders for the Proposals.

In the event that Shareholders do not vote in favour of the Proposals at the Meetings, then the terms of the ZDP Shares will remain unchanged and the fundraising elements of the Proposals will not occur. Accordingly, the Company would be required to pay the 2020 Final Capital Entitlement on 5 December 2020 and to repay the amounts outstanding under the Existing Bonds in June 2021.

If the Resolutions are not passed, the Board believes there is a material risk that the Company may not have sufficient cash resources to pay the 2020 Final Capital Entitlement in full in a manner that would satisfy the solvency test set out under Guernsey company law.

In the event that the Company is required to pay the 2020 Final Capital Entitlement and has insufficient cash resources to lawfully do so then, in accordance with the Existing Articles, the Company shall redeem such number of ZDP Shares (on a pro-rata basis amongst ZDP Shareholders) as it is lawfully able to redeem on 5 December 2020, and thereafter shall redeem further ZDP Shares in tranches (on a pro-rata basis amongst ZDP Shareholders) as and when it is lawfully able to do so. In such circumstances, the Board considers that there may be an adverse reaction amongst the Group's loan funder network, which may disrupt the Company's operations and prejudice the ability of the Group to effectively pursue its lending business. The Board considers that such a situation would pose a material risk to the financial and trading position of the Group.

The Board believes that in the event that the Proposals are not approved by Shareholders at the Meetings, then alternative sources of debt or equity financing are very unlikely to be available, or be available on preferential terms. The Group could then face administration or other insolvency proceedings which would, in the Board's opinion, result in Shareholders receiving no value for their current shareholdings.

**THE RESOLUTIONS ARE INTER-CONDITIONAL, SUCH THAT IF ANY OF THE RESOLUTIONS ARE NOT PASSED, THE PROPOSALS WILL NOT BE IMPLEMENTED.**

#### **5 The Business Restructuring**

The Group's strategy is to maximise Shareholder value through growing the profitability of its core business, Sancus BMS Group, and realising value from its investments in FinTech Ventures. However, the Board considers that there are significant obstacles to achieving realisable value for Shareholders from its portfolio of Fintech assets. Accordingly, the Board has determined to restructure the business of the Group to focus solely on the Sancus BMS Group. The Company intends to simplify the Group corporate structure, rename the Company and adopt a new remuneration policy designed to align the interests of the employees and shareholders and which provides adequate incentives.

The overall objective will be to achieve profitable growth of the property-backed lending book across appropriate risk spectrums, supported by a robust credit process and rigorous control of operating expenses.

The business will be capital efficient and recognise the different nature of origination in offshore locations and the UK and Ireland where Sancus BMS Group has adopted a more scalable model.

The Board will also review the Group's minority holdings in certain other subsidiary and joint venture undertakings.

## **6 Change of name**

If the Proposals are approved, the focus of the Company's business and strategy will be changed as set out in paragraph 5 above. The Board considers that it would be appropriate to change the name of the Company in order to better reflect the refocussed business and expects to put a resolution to Shareholders in that regard at the Company's next annual general meeting.

## **7 The Issue**

The Board has given careful consideration as to the structure of the fundraising aspects of the Proposals, including alternative sources of financing, and has concluded that the Firm Placing and Open Offer is the most suitable option available to the Company and its Shareholders at this time.

### **7.1 The Firm Placing**

Conditional upon the Issue proceeding, the Company has agreed with Somerston Fintech that pursuant to the Firm Placing, it will subscribe directly for 77,777,778 New Ordinary Shares at the Issue Price. The Company has contracted directly with Somerston Fintech for the subscription of all of the Firm Placing Shares.

The Firm Placing Shares, the issue of which would raise gross proceeds of £1,750,000, are not subject to clawback and are not part of the Open Offer.

Somerston Group is a major Shareholder in the Company and has been so since 2016, holding its interest in the Company via Somerston Fintech and Golf. Somerston Group is a privately owned group of companies headquartered in Jersey. With its origins in shipping, Somerston Group now primarily focuses on real estate investment and development internationally as well as making private equity and venture capital investments. Somerston Group has held strategic interests in a number of listed companies. Further details on Somerston Group are available to view at [www.somerston.com](http://www.somerston.com).

The issue of the Firm Placing Shares will lead to the dilution of existing Shareholders' interests in the Company, as set out in paragraph 7 of Part 2 of the Circular.

### **7.2 The Open Offer**

Conditional upon completion of the Firm Placing, Qualifying Shareholders are being offered the opportunity, under the Open Offer, to apply for New Ordinary Shares at a ratio of 1,583 New Ordinary Shares for every 4,940 Existing Ordinary Shares held and registered in their name as at the Record Date. The maximum number of New Ordinary Shares which will be issued pursuant to the Open Offer will be 100,000,000. New Ordinary Shares issued to Qualifying Shareholders under their basic Open Offer Entitlements are not subject to scaling back.

Any allocation of New Ordinary Shares not taken up by Qualifying Shareholders pursuant to the Open Offer will be made available under the Excess Application Facility. Applications in the Excess Application Facility from Qualifying Shareholders other than Somerston Fintech and Golf will be given priority in allocation of New Ordinary Shares under the Excess Application Facility. Otherwise, there will be no priority given to applications under the Open Offer.

Somerston Fintech and Golf have irrevocably undertaken to take up their full Open Offer Entitlement under the Open Offer (being 10,319,086 and 16,283,483 New Ordinary Shares respectively) and, further, for Somerston Fintech and Golf to apply in the Excess Application Facility for an additional 10,368,813 and 16,361,952 New Ordinary Shares, respectively. Somerston Fintech and Golf's application in the Excess Application Facility is subject to scaling back to the extent that Qualifying Shareholders other than Somerston Fintech and Golf apply for New Ordinary Shares under the Excess Application Facility, as referred to above. The remaining members of the Concert Party have indicated that they are unlikely to participate in the Open Offer or apply for New Ordinary Shares under the Excess Application Facility.

The effect of Somerston Fintech and Golf's irrevocable undertaking in respect of the Open Offer as described above is that Somerston Fintech and Golf have agreed to effectively underwrite the Open Offer as to 53,333,334 New Ordinary Shares, to raise gross proceeds of a further £1,200,000 in addition to Somerston Fintech's £1,750,000 subscription in the Firm Placing. The Board considers it important that Shareholders be given the opportunity

to participate in the Issue, hence the Open Offer and the scaling back of Somerston Fintech and Golf's applications under the Excess Application Facility.

Somerston Fintech's participation in the Firm Placing, the Open Offer and the Bond Issue (as detailed below), and Golf's participation in the Open Offer, are conditional upon the HIT Facility Renegotiation (as set out in paragraph 13) being completed prior to the Meetings. Somerston Fintech and Golf are entitled, at their sole discretion, to waive the satisfaction of this condition.

Qualifying Shareholders may apply to acquire less than their Open Offer Entitlement should they so wish.

Qualifying Shareholders who take up all of their Open Offer Entitlements may also apply under the Excess Application Facility for additional New Ordinary Shares in excess of their Open Offer Entitlement. The Excess Application Facility will comprise such number of New Ordinary Shares as have not been taken up under the Open Offer after all Qualifying Shareholders have received their Open Offer Entitlement in full.

**Shareholders should note that the Open Offer is not a rights issue. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of entitlements under the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim raised by Euroclear's Claims Processing Unit. Qualifying non-CREST Shareholders should note that the Open Offer Application Form is not a negotiable document and cannot be traded. Qualifying Shareholders should be aware that in the Open Offer, unlike in a rights issue, any New Ordinary Shares not applied for will not be sold in the market or placed for the benefit of Qualifying Shareholders who do not apply under the Open Offer, but may be made available under the Excess Application Facility.**

Further information on the Open Offer and the terms and conditions on which it is made, including the procedure for application and payment, is set out in Parts 2 and 8 of the Circular and, where relevant, in the Open Offer Application Form.

The issue of New Ordinary Shares in the Open Offer may lead to the dilution of existing Shareholders' interests in the Company, as set out in paragraph 7 of Part 2 of the Circular.

## **8 The Bond Issue and Warrant Issue**

### **8.1 The Bond Issue**

The Company is proposing to issue New Bonds pursuant to the Bond Issue. The New Bonds will have an interest rate of 7 per cent. per annum (paid quarterly) and a maturity date of 31 December 2025.

The Company has received commitments to subscribe for New Bonds in a principal amount of approximately £8.2 million and is entitled to issue New Bonds up to £15 million in total until the maturity date of the New Bonds. Somerston Fintech has irrevocably committed to subscribe for New Bonds in an aggregate principal amount of £6 million, conditional upon the HIT Facility Renegotiation (as set out in paragraph 13) being completed prior to the Meetings and Shareholder approval of the Proposals, and has indicated that it may subscribe for further New Bonds in a principal amount of up to £2 million. Neslo, a member of the Concert Party, has indicated that it intends to subscribe for New Bonds in an aggregate principal amount of £400,000, also conditional upon Shareholder approval of the Proposals.

The net proceeds of the Bond Issue will be used to repay the Existing Bonds. It is expected that the New Bonds will be issued, and the Existing Bonds will be repaid, on or before 31 December 2020.

The Company may repay the New Bonds in full or in part prior to the maturity date on at least one month's written notice to the relevant holder(s). Other events may give rise to an early redemption of their New Bonds including the occurrence of a change of control of the Company (save where Somerston and persons acting in concert with Somerston acquire such control), a voluntary winding up of the Company (other than for a reorganisation, subject to conditions) or a sale of all or a substantial part of the Company's undertaking or assets. Standard events of default which could lead to the redemption of the New Bonds also apply. Under the Bond Instrument, the Company has undertaken not to issue any further debt securities with a senior ranking to the New Bonds without the prior approval of

a majority of the holders of the New Bonds. The New Bonds, following issue, will be not be listed on any stock exchange.

## **8.2 The Warrant Issue**

The Company is proposing to execute the Warrant Instrument constituting the Warrants to subscribe in cash for new Ordinary Shares at a subscription price of 2.25 pence per Ordinary Share. The Warrants will be exercisable on a Business Day, on at least 30 days' notice, in the period to 31 December 2025.

The Warrants will, conditional upon Ordinary Shareholder approval at the EGM, be issued to investors in the Bond Issue on the basis of Warrants in respect of 0.25 per cent. of the Company's issued share capital immediately following Admission being issued for every £100,000 of principal amount of New Bonds issued.

Based on commitments received to subscribe for New Bonds in a principal amount of approximately £8.2 million, Warrants over up to 100,417,913 new Ordinary Shares will be issued. A maximum of up to 183,691,304 Warrants may be issued in total, assuming a New Bond issue of £15 million and full take up under the Open Offer. Somerston Fintech and Neslo will be entitled to receive Warrants in respect of up to 97,968,696 and up to 4,898,435 further Ordinary Shares respectively, under the Warrant Issue in respect of the New Bonds which Somerston Fintech has either irrevocably committed or indicated that it intends to subscribe for and Neslo has indicated that it intends to subscribe for (subject to the issued share capital immediately following Admission, as determined by take up under the Open Offer).

The Warrant Instrument constituting the Warrants contains provisions typically found in such instruments, including those relating to the adjustment of the subscription price or number of Ordinary Shares to be issued on exercise of the Warrants on the occurrence of certain events, protections for the holder(s) of the Warrants and procedures for the modification of the rights of the Warrants. The Warrants may only (save with the consent of the Company) be transferred by the holder to any person to whom a holder of Ordinary Shares may transfer Ordinary Shares in accordance with the Company's Articles and subject to the transfer not being contrary to applicable law or regulation. The holders of the Warrants will have the right to attend and speak at (but not to vote at) any general meeting of the Company for so long as their subscription rights remain outstanding. Application will be made for any new Ordinary Shares that arise on the exercise of the Warrants to be admitted to trading on AIM (or any other stock exchange on which the Ordinary Shares may at the relevant time be admitted to listing or trading).

The issue of new Ordinary Shares pursuant to the exercise of any Warrants will lead to the dilution of existing Shareholders' interests in the Company. The number of new Ordinary Shares that may be issued upon the full exercise of the Warrants will be equivalent to up to 37.50 per cent. of the issued share capital of the Company immediately following Admission, assuming the maximum New Bond issue of £15 million, leading to the dilution of the interests of the Shareholders in the Company at the time of exercise in full of the Warrants by the same percentage.

## **9 Related party transaction**

Somerston Fintech and Golf are related parties to the Company in accordance with the AIM Rules, by virtue of their shareholding in the Company. Nick Wakefield, Chief Investment Officer of Somerston Group and a director of Golf, is also a non-executive director of the Company. Somerston Fintech is the sole placee in the Firm Placing. Somerston Fintech and Golf have also irrevocably undertaken to participate in the Open Offer in respect of its Open Offer Entitlement and (subject to the provisions relating to allocation set out in paragraph 6 of Part 2 of the Circular) in the Excess Application Facility. Somerston Fintech also intends to subscribe for New Bonds and Warrants in the Bond Issue and the Warrant Issue, respectively.

Accordingly, Somerston Fintech and Golf's participation in certain of the Proposals is a related party transaction for the purpose of the AIM Rules. The Independent Directors (being those other than Nick Wakefield) consider, having consulted with the Company's nominated adviser, Liberum, that the terms of Somerston Fintech and Golf's participation in the Proposals are fair and reasonable insofar as Shareholders are concerned.

## **10 The Takeover Code**

The proposed issue of the Firm Placing Shares and the Open Offer Shares (pursuant to the commitments provided as part of the irrevocable undertaking and pro rata entitlements under the Open Offer) to Somerston Fintech and Golf, together with the potential issue of the New Ordinary Shares being the subject of the Warrants to be granted to Somerston Fintech and Neslo, gives rise to certain considerations under the Takeover Code. Brief details of the Panel, the Takeover Code and the protections they afford are set out below.

The Takeover Code is issued and administered by the Panel. The Company is a public limited company whose Existing Ordinary Shares are admitted to trading on AIM and its Shareholders are therefore entitled to the protections afforded by the Takeover Code.

For the purposes of the Takeover Code, the members of the Concert Party are regarded to be acting in concert, as defined by the Takeover Code, with regard to their holdings of Existing Ordinary Shares. Further details of the Concert Party are set out below.

Under Rule 9 of the Takeover Code, where any person acquires, whether by a series of transactions over a period of time or by one specific transaction, an interest (as defined in the Takeover Code) in shares which (taken together with shares in which persons acting in concert with him are interested) carry 30 per cent, or more of the voting rights of a company that is subject to the Takeover Code, that person is normally required by the Panel to make a Rule 9 Offer to the remaining shareholders to acquire their shares.

Similarly, Rule 9 of the Takeover Code also provides, among other things, that where any person, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of a company which is subject to the Takeover Code, but does not hold shares carrying more than 50 per cent. of the voting rights of that company and such person or any such person acting in concert with him acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested, then such person or persons acting in concert with him will normally be required by the Panel to make a Rule 9 Offer to the remaining shareholders to acquire their shares.

An offer under Rule 9 of the Takeover Code must be in cash (or with a cash alternative) and at the highest price paid within the preceding 12 months for any interest in shares in the company by the person required to make the offer or any person acting in concert with him.

Shareholders should be aware that Rule 9 of the Takeover Code further provides, inter alia, that where any person who, together with persons acting in concert with him, holds interests in shares carrying more than 50 per cent. of the voting rights of a company, acquires an interest in shares which carry additional voting rights, then they will not normally be required to make a Rule 9 Offer to the other shareholders to acquire their shares.

For the purposes of the Takeover Code, persons acting in concert include persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control of a company or frustrate the successful outcome of an offer for a company subject to the Takeover Code. For the purposes of the Takeover Code, "control" means an interest or interests in shares carrying in aggregate 30 per cent. or more of the voting rights of a company, irrespective of whether such interest or interests give de facto control. Under the Takeover Code, 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 are also presumed to be acting in concert in respect of that company unless the contrary is established.

#### **10.1 Concert Party**

Upon completion of the Open Offer and the Firm Placing, the Concert Party will be interested in up to 221,454,180 New Ordinary Shares, representing a maximum of approximately 49.97 per cent. of the voting rights of the Company (on the assumption of no participation in the Open Offer by Independent Shareholders who are Qualifying Shareholders and that no other New Ordinary Shares are issued). Upon implementation of the Proposals in full, the Concert Party will be interested in up to 314,521,312 New Ordinary Shares, representing a maximum of approximately 58.65 per cent. of the voting rights of the Company (on the assumption of no participation in the Open Offer by Independent Shareholders who are Qualifying Shareholders, that the Warrants proposed to be granted to Somerston Fintech and Neslo (in respect of the New Bonds which Somerston Fintech has irrevocably committed to subscribe for and Neslo has indicated that it intends to subscribe for) are exercised in full at the earliest opportunity, being immediately after issue, that no other Warrants are exercised, and that no other New Ordinary Shares are issued prior to

such exercise), which, without a waiver of the obligations under Rule 9 of the Takeover Code, would require the Concert Party to make a Rule 9 Offer to the Company's remaining Shareholders. However, the Panel has agreed, subject to the Waiver Resolution being passed on a poll by the Independent Shareholders at the Extraordinary General Meeting, to waive the requirement under Rule 9 of the City Code for the Concert Party to make a Rule 9 Offer that would otherwise apply. The members of the Concert Party will not be able to vote on the Waiver Resolution as they are not independent. Those persons have undertaken to the Company that they will not vote on the Waiver Resolution. Further information on the waiver of the obligation to make such a Rule 9 Offer is set out in paragraph 10.3 below.

The interests of the persons presumed to be acting in concert with each other in Existing Ordinary Shares upon implementation of the Proposals, and the underlying assumptions are set out in the table below in paragraph 10.2.

## 10.2 Information on the Concert Party

For the purposes of the Takeover Code, the members of the Concert Party, being Somerston Fintech, Golf, Lexo Investments Limited, Neslo and La Hauteur Investments Limited, are regarded as acting in concert by the Panel with regard to their holdings of Existing Ordinary Shares or their relationship with regard to their holdings of Existing Ordinary Shares. Nicholas Wakefield, a non-executive director of the Company, is Chief Investment Officer of the Somerston Group and a director of Golf.

Somerston Group is interested in a total of 26.60 per cent. of the Existing Ordinary Shares, held via its subsidiaries, Somerston Fintech and Golf. Somerston Fintech and Golf are private registered companies in Jersey and both members of the Somerston Group, a business based in Jersey and focused on investments in real estate, ventures and technology and listed companies. Golf is wholly owned by Somerston Fintech, and there is commonality of decision making between Somerston Fintech and Golf in relation to their respective shareholdings in the Company. Somerston Fintech and Golf hold 10.32 per cent and 16.28 per cent. of the Company's voting share capital respectively, taking Somerston Group's aggregate interest in the voting share capital of the Company to 26.60 per cent. Alex Ohlsson is a director of Somerston Group Limited and a director of both Somerston Fintech and Golf. Mr Ohlsson has the right to control the boards of both Lexo Investments Limited and Neslo and holds 50 per cent. of the voting rights of Lexo Investments Limited, with the balance being held by a trust established for the benefit of Alex Ohlsson and his family. Further, Lexo Investments Limited in turn holds 60 per cent. of the voting rights of Neslo. The voting rights of La Hauteur Investments Limited are controlled by Neill Anders Ohlsson and Patricia Anne Ohlsson, the parents of Alex Ohlsson, who also have a right to control the board of La Hauteur Investments Limited.

The interests of the Concert Party (both number and percentage) in the Existing Ordinary Shares and their maximum potential interests in the issued share capital of the Company upon implementation of the Proposals (including the exercise of the New Ordinary Shares the subject of the Warrants) are set out below.

	Existing Ordinary Share capital	Effect of completion of the Firm Placing	Effect of completion of the Firm Placing and Open Offer	Effect of completion of the Firm Placing and Open Offer and exercise of Warrants
<b>Concert Parties</b>				
Somerston Group via				
Somerston Fintech Limited	32,202,329 10.32%	109,980,107 28.21%	130,668,006 29.48%	219,303,369 40.90%
Golf Investments Limited	50,815,167 16.28%	50,815,167 13.03%	83,460,602 18.83%	83,460,602 15.56%
Lexo Investments Limited	2,242,829 0.72%	2,242,829 0.58%	2,242,829 0.51%	2,242,829 0.42%
Neslo Partners No. 2 Limited	4,932,743	4,932,743	4,932,743	9,364,512

La Hauteur Investments Limited	1.58%	1.27%	1.11%	1.75%
	150,000	150,000	150,000	150,000
	0.05%	0.04%	0.03%	0.03%
<b>Concert Party's Total</b>	<b>90,343,068</b>	<b>168,120,846</b>	<b>221,454,180</b>	<b>314,521,312</b>
	28.95%	43.13%	49.97%	58.65%
<b>Resultant share capital at each stage</b>	<b>312,065,699</b>	<b>389,843,477</b>	<b>443,176,811</b>	<b>536,243,943</b>

The above interests have been calculated on the basis:

- of completion of the Firm Placing;
- that Somerston Fintech and Golf are the only members of the Concert Party that subscribe for their Open Offer Entitlement in full;
- that Somerston Fintech and Golf subscribe for the maximum number of New Ordinary Shares that they have irrevocably undertaken to subscribe for under the Excess Application Facility;
- no take up by Independent Shareholders who are Qualifying Shareholders of their respective Open Offer Entitlements (such that the only New Ordinary Shares to be issued under the Open Offer are to members of the Concert Party); and
- that options over New Ordinary Shares the subject of the Warrants to be issued to Somerston Fintech and Neslo in respect of the New Bonds which Somerston Fintech has irrevocably committed to subscribe for (being a principal amount of £6 million), the New Bonds which Somerston Fintech has indicated it may subscribe for (being a principal amount of £2 million) and the New Bonds which Neslo has indicated that it intends to subscribe for (being a principal amount of £400,000), are exercised in full at the earliest possible date (being immediately after their issue), and that no other options or conversion rights are exercised by other persons.

The maximum potential interests of the Concert Party following Admission and following exercise of the Warrants will be determined by take up by Independent Shareholders who are Qualifying Shareholders under the Open Offer. To the extent that Independent Shareholders who are Qualifying Shareholders take up their Open Offer Entitlements or are allocated additional New Ordinary Shares pursuant to applications under the Excess Application Facility (thereby increasing the issued share capital upon Admission), the maximum percentage interests of the Concert Party will be diluted accordingly.

Other than as disclosed in the table above, as at 16 November 2020, being the latest practical date prior to publication of the Circular, no member of the Concert Party, their immediate families or person connected with any of them (within the meaning of Part 22 of the UK Companies Act and related regulations) nor any persons acting in concert with any of them, had any interests, rights to subscribe or short positions (whether conditional or absolute and whether in the money or otherwise), including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery in any relevant securities of the Company.

**There are no relationships (personal, financial and commercial), arrangements and understandings between the Concert Party members and any of the Independent Shareholders or any person who is, or is presumed to be, acting in concert with any Independent Shareholder to disclose.**

### 10.3 Waiver of Rule 9 obligation

Under Note 1 on the Notes on the Dispensations from Rule 9 of the Takeover Code, the Panel will normally waive the requirement for a Rule 9 Offer if, inter alia, those shareholders of the company who are independent of the persons who would otherwise be required to make a Rule 9 Offer pass an ordinary resolution on a poll at a general meeting approving such a waiver.

The Company has applied to the Panel for a waiver of the obligation of the Concert Party under Rule 9 of the Takeover Code that would otherwise arise and require it to make a Rule 9 Offer to the Company's other Shareholders as a result of the issue to the Concert Party of the Firm Placing Shares, the Open Offer Shares and any New Ordinary Shares subsequently issued pursuant to the Warrants in connection with the implementation of the Proposals. Subject to the approval of the Independent Shareholders of the Waiver Resolution, to be taken on a poll at the Extraordinary General Meeting, the Panel has agreed

to waive such obligation to make a Rule 9 Offer. To be passed, the Waiver Resolution will require a simple majority of the votes cast on a poll by the Independent Shareholders voting at the Extraordinary General Meeting. Members of the Concert Party will not be permitted to vote on the Waiver Resolution and have undertaken to the Company that they will not vote on the Waiver Resolution.

The Notice of the Extraordinary General Meeting, at which the Resolutions will be proposed, is set out at the end of the Circular. Should Shareholder approval not be obtained for the Waiver Resolution, the Open Offer, the Bond Issue (and associated Warrant Issue) and the Firm Placing will not proceed.

**Following implementation of the Proposals, the members of the Concert Party will, in aggregate, be interested in Ordinary Shares carrying more than 30 per cent. of the Company's voting share capital immediately following Admission. Furthermore, pursuant to the Warrant Issue only, the Concert Party will be able to increase its aggregate interest in the voting share capital of the Company (to the extent only permitted by and in connection with the Warrant Issue) without incurring any obligations under Rule 9 to make a general offer to the Company's other Shareholders.**

**Following the issue of the New Ordinary Shares and exercise in full at the earliest opportunity of the Warrants to be granted to members of the Concert Party, the Concert Party will in aggregate hold Ordinary Shares carrying more than 50 per cent. of the Company's voting share capital (for so long as they continue to be treated as acting in concert). As a result, for as long as they continue to be treated as acting in concert, the members of the Concert Party will be able to increase their aggregate holding in the Company without incurring an obligation under Rule 9 to make a mandatory offer to the other Shareholders.**

**Individual members of the Concert Party, other than Somerston Fintech and Golf who are viewed as a single shareholder for the purposes of the Code, will not be able to increase their percentage interest in the shares through or between a Rule 9 threshold without Panel consent.**

**The Concert Party will not be restricted from making a subsequent offer in the future for the Company in the event that the Waiver Resolution is approved by the Independent Shareholders. For the avoidance of doubt, the waiver from the obligation that the Concert Party would otherwise have to make a Rule 9 Offer to the Company's other shareholders granted pursuant to the Waiver Resolution applies only in respect of increases in shareholdings of the Concert Party following the issue of the Firm Placing Shares, Open Offer Shares and exercise of Warrants granted to members of the Concert Party which result in the Concert Party in aggregate holding Ordinary Shares carrying more than 50 per cent. of the Company's voting capital and not in respect of other increases in its holdings taking place prior to such threshold being crossed.**

#### **10.4 Disqualifying Transactions**

The waiver to which the Panel has agreed under the Takeover Code will be invalidated if any purchases are made by any member of the Concert Party, or any person acting in concert with it, in the period between the date of the Circular and the Extraordinary General Meeting. No member of the Concert Party, nor any person acting in concert with it, has purchased or acquired an interest in Existing Ordinary Shares in the 12 months preceding the date of the Circular.

#### **10.5 Intentions of the Concert Party**

The Concert Party has no intention of making any changes in relation to the future business or strategic plans of the Company, any research and development functions of the Company, the pension arrangements of the Company, or its place of business.

The Concert Party has no intention of making any changes to the continued employment of the employees and management of the Company or of its subsidiaries, including any material change in the conditions of employment or in the balance of the skills and functions of the employees and management.

The Concert Party has no intention of changing the location and functions of the headquarters of the Group. The Concert Party understands that the Business Restructuring will include a review by the Board of certain business operations and related functions of the Group and, accordingly there will be a review of the employment requirements of the Group which may or may not result in changes to overall levels of employment or office

locations. Otherwise, the Concert Party does not believe that the strategic plans for the Group will have any repercussions on employment or on the locations of the Company's places of business. The Concert Party has no intention of making any changes to employer contributions into the Company's pension scheme(s) (including with regards to current arrangements for the funding of any scheme deficits), the accrual of benefits for existing members, or the admission of new members.

The Concert Party has no intention to redeploy the Company's fixed assets.

The Concert Party has no intention of making any changes to the maintenance of the existing trading facilities for the New Ordinary Shares.

The Concert Party has no intention to propose any management incentivisation arrangements for the Board.

The Independent Directors note the statements made above by the Concert Party in respect of any repercussions in relation to employment and the locations of the Company's place of business.

Nick Wakefield, non-executive director of the Company, is also the Chief Investment Officer of Somerston Group. As set out in this paragraph 10.5, the Concert Party have no intentions as to the business, employees or pension scheme(s) of the Group. Any future influence or input Mr Wakefield may have as to the business of the Group will be in discharge of his statutory and fiduciary duties as a Director, in order to maximise value for Shareholders.

## **11 The ZDP Continuation**

### **11.1 Background to the ZDP Continuation**

The Company currently has two classes of Shares in issue; Ordinary Shares and ZDP Shares. The Ordinary Shares have been traded on the AIM market of the London Stock Exchange since August 2005. The ZDP Shares were issued in December 2014 and have been traded on the standard listing segment of the main market of the London Stock Exchange since October 2015. As at the date of the Circular, the Company's issued share capital is 312,065,699 Ordinary Shares and 20,791,418 ZDP Shares.

The ZDP Shares are non-participating and non-voting (except in certain limited circumstances, including at the ZDP Class Meeting and on Resolution 3 at the Extraordinary General Meeting) but carry the right to the repayment of a Final Capital Entitlement on the ZDP Maturity Date. The ZDP Maturity Date is currently 5 December 2020, on which date the holders of ZDP Shares are entitled to receive from the Company 141.152 pence for each ZDP Share that they hold, which would represent a return on the issue price of the ZDP Shares equivalent to 5.5 per cent. Per annum up to and including 5 December 2019, and 8 per cent. per annum from 6 December 2019 to the ZDP Maturity Date. The Final Capital Entitlement is to be paid by way of the redemption of the ZDP Shares, and under the Articles and applicable company law the Company may only redeem such Shares to the extent that the Board is comfortable that, after such redemption, the Company can satisfy the solvency test prescribed by Guernsey company law.

The ZDP Continuation comprises the adoption of the New Articles which will extend the term of the ZDP Shares to 5 December 2022 and provide for a 2022 Final Capital Entitlement of 164.64 pence per ZDP Share. The ZDP Continuation is conditional upon completion of the Issue.

A continuation of an investment in the ZDP Shares will allow ZDP Shareholders to continue their investment in the Company. As noted at paragraph 2 of Part 6 of the Circular, UK resident ZDP Shareholders should generally not be treated as making a disposal for the purposes of UK taxation of chargeable gains as a result of doing so. It is important to note that the discussion of the tax treatment contained in Part 6 of the Circular is intended only as a general and non-exhaustive summary of the expected tax treatment and ZDP Shareholders are advised to seek independent professional advice as to the tax consequences for them of the Proposals.

### **11.2 Key features of the amended ZDP Shares**

If the Proposals are adopted, the ZDP Shares:

- will have a repayment date of 5 December 2022;

- are intended to provide ZDP Shareholders with a level of capital growth at a rate of 8 per cent. per annum;
- subject to the Company having sufficient assets at the time to satisfy the solvency test set out under Guernsey company law, will carry the right to be paid the 2022 Final Capital Entitlement of 164.64 pence in cash on 5 December 2022; and
- will continue to benefit from the protection afforded by the Cover Test.

Save as set out above, the rights of the ZDP Shares following the implementation of the Proposals will be the same as the rights of the existing ZDP Shares. The amended rights of the ZDP Shares are set out in the New Articles and are described in full in Part 3 of the Circular. The New Articles are available for inspection as set out in Part 7 of the Circular.

**The ability of the Company to pay the 2022 Final Capital Entitlement is dependent on the performance of the Company's business and investments. ZDP Shares are not a guaranteed, protected or secured investment and ZDP Shareholders may therefore not receive their full 2022 Final Capital Entitlement.**

### 11.3 Adoption of the New Articles

The ZDP Continuation will be implemented by way of the adoption of the New Articles.

The New Articles contain the amended rights attaching to the ZDP Shares as set out in Part 3 of the Circular. The New Articles contain a right attaching to all ZDP Shares for such ZDP Shares to be redeemed on 5 December 2022 at a redemption price of 164.64 pence per ZDP Share (being the 2022 Final Capital Entitlement).

The New Articles also contain certain non-substantive changes to reflect updates to applicable law and practice.

The Existing Articles and the New Articles (in the form of a comparison document showing the changes between the two) are available for inspection as set out in Part 7 of the Circular.

If the Proposals are approved by Shareholders, the New Articles will be adopted on the date of on which the Resolutions are passed. Upon the ZDP Continuation, ZDP Shareholders shall continue to hold ZDP Shares on the amended terms as set out in the New Articles. In the case of any discrepancy between the Circular and the New Articles, the terms of the New Articles will prevail.

### 11.4 Dealings in ZDP Shares

No new securities will be issued by the Company in connection with the ZDP Continuation and the ZDP Shares will continue to be held by ZDP Shareholders, albeit on the revised terms of the ZDP Continuation.

Dealings in the ZDP Shares will continue to be effective in CREST and the existing ISIN number GG00BTDYD136 will continue to apply.

ZDP Shareholders who hold their ZDP Shares in certificated form will not receive replacement certificates in respect of their ZDP Shares.

### 11.5 Taxation

The attention of ZDP Shareholders is drawn to Part 6 of the Circular which sets out a general guide to certain aspects of current UK and Guernsey taxation law and HMRC published practice.

## 12 The Tender Offer and buybacks of ZDP Shares

If Shareholders vote in favour of the ZDP Continuation at the Meetings and the Proposals are implemented, the Board intends to announce details of a Tender Offer for ZDP Shares to complete on or around 31 March 2021.

It is intended that the Tender Offer be made by or on behalf of the Company to all ZDP Shareholders for the purchase of ZDP Shares, on a pro rata basis amongst ZDP Shareholders, at a price per ZDP Share equal to the then accrued capital entitlement per ZDP Share calculated in accordance with the New Articles. The Board intends that the Tender Offer will be for approximately 25 per cent. of the ZDP Shares then in issue (excluding ZDP Shares held in treasury).

The Company may continue to buy back any ZDP Shares in the period to the date of completion of the Tender Offer, subject to the parameters of that programme and to the Company having sufficient Shareholder authority to do so, and in accordance with applicable law and regulation.

There is no guarantee that the Company will buy back ZDP Shares in this period or at all, or that the Tender Offer will be implemented in March 2021 or at all. Although it is the Board's intention and expectation that the Company will be able to make the Tender Offer in March 2021, this is subject to the Company's ability at that time to lawfully purchase its own shares, which depends on the Board's determination that the Company may do so in satisfaction of the solvency test prescribed by Guernsey company law.

### **13 Honeycomb Investment Trust (HIT) Facility**

Honeycomb Investment Trust provides the HIT Facility, a £45 million credit facility, to Sancus Loans Limited ("**Sancus Loans**"), a special purpose loan vehicle and a wholly owned subsidiary of Sancus BMS Group. The HIT Facility has a term of three years due to end on 28 January 2021.

The Group has agreed with Honeycomb Investment Trust the extension of the term of the HIT Facility by a further period of 18 months such that, with effect from 13 November 2020, the HIT Facility will expire on 28 July 2022.

Further, the Group has presented to Honeycomb Investment Trust additional proposed changes to the HIT Facility and request for waivers, including to (a) further extend the term of the HIT Facility to 28 January 2024; and (b) increase the HIT Facility to a maximum principal amount of £75 million (the "**HIT Facility Renegotiation**"). The HIT Facility Renegotiation is subject to an audit of Sancus Loans, which is expected to conclude by 4 December 2020.

Somerston Fintech's participation in the Firm Placing, the Open Offer and the Bond Issue, and Golf's participation in the Open Offer, are conditional upon the HIT Facility Renegotiation being completed prior to the Meetings. Somerston Fintech and Golf are entitled, at their sole discretion, to waive the satisfaction of this condition.

### **14 Relationship Agreement**

On 16 November 2020, the Company, Somerston Fintech and Golf, entered into a relationship agreement to manage the relationship between the Company, Somerston Fintech and Golf following Admission. The Relationship Agreement is conditional on Admission occurring and, among other things:

- a) provides that the Company shall be allowed to operate independently of Somerston Fintech, Golf and their associates;
- b) provides that all arrangements between Somerston Fintech, Golf and their associates and the Company will be on arm's length terms and on a normal commercial basis; and
- c) provides that Somerston Fintech and Golf shall promptly notify the Company of any actual or potential transaction, dealing or relationship between it, its associates or its group and shall use its reasonable endeavours to ensure that such transaction, dealing or relationship be on arm's length terms and on a normal commercial basis.

For a detailed summary of the Relationship Agreement, see paragraph 8.2 of Part 7 of the Circular.

### **15 Costs of the Proposals**

The Company estimates that it will incur costs of approximately £470,000 in respect of the development and implementation of the Proposals.

### **16 Risk factors relating to the Proposals and the Company**

The Company's performance is dependent on many factors and an investment in the Company carries, and the implementation of the Proposals, carries risks. Shareholders are referred to the section of the Circular entitled "Risk Factors" on pages 36 to 41 of the Circular.

Shareholders should read carefully the information on the Proposals set out in the Circular.

**Shareholders who are in any doubt as to the contents of the Circular or as to the action to be taken should immediately seek their own personal financial advice from their independent professional adviser authorised under the Financial Services and Markets Act 2000.**

## **17 The Meetings**

The implementation of the Proposals requires Shareholder approval at the following Meetings:

- § the passing by ZDP Shareholders of the Resolution to be proposed at the ZDP Class Meeting;
- § the passing by Ordinary Shareholders of the Resolution to be proposed at the Ordinary Class Meeting; and
- § the passing by Ordinary Shareholders and, in respect of Resolution 3 only, ZDP Shareholders, of the Resolutions to be proposed at the Extraordinary General Meeting.

Notices of the ZDP Class Meeting, the Ordinary Class Meeting and the Extraordinary General Meeting are set out in Part 10 of the Circular.

Voting on each of the Resolutions will be held by a poll.

Please refer to paragraph 18 below in relation to arrangements that the Board is making for the Meetings due to measures imposed as a result of the spread of the Covid-19 virus.

### **17.1 ZDP Class Meeting**

The ZDP Class Meeting has been convened for 4 December 2020 at 10.00 a.m. to enable ZDP Shareholders to consider and, if thought fit, pass a special resolution consenting to the passing of the ZDP Continuation Resolution to be proposed at the Extraordinary General Meeting and any variation of their class rights which might arise under or as a result of the passing and carrying into effect of such Resolution. In the event that this Meeting is adjourned due to the absence of a quorum, the adjourned Meeting will be held at the same venue on the same day at 10.30 a.m.

The majority required for the passing of the Resolution to be proposed at the ZDP Class Meeting is not less than 75 per cent. of the votes cast (in person or by proxy) on that Resolution at the ZDP Class Meeting.

The ZDP Class Meeting will take place at the Company's registered office, Block C, Hirzel Court, Hirzel Street, St Peter Port, Guernsey GY1 2NL, Channel Islands. ZDP Shareholders alone are entitled to attend and vote at the ZDP Class Meeting.

The quorum for the ZDP Class Meeting is two persons present in person or by proxy and holding at least one third of the issued ZDP Shares at the date of the Meeting. If the Meeting is not quorate, it will be adjourned to the time and place indicated above, whereupon one person holding ZDP Shares and present in person or by proxy shall form the quorum.

### **17.2 Ordinary Class Meeting**

A meeting of Ordinary Shareholders has been convened for 4 December 2020 at 10.10 a.m. (or as soon thereafter as the ZDP Class Meeting shall have concluded or been adjourned) to enable Ordinary Shareholders to consider and, if thought fit, pass a special resolution consenting to the passing of the ZDP Continuation Resolution to be proposed at the Extraordinary General Meeting and any variation of their class rights which might arise under or as a result of the passing and carrying into effect of such Resolution. In the event that this Meeting is adjourned due to the absence of a quorum, the adjourned Meeting will be held at the same venue on the same day at 10.40 a.m.

The majority required for the passing of the Resolution to be proposed at the Ordinary Class Meeting is not less than 75 per cent. of the votes cast (in person or by proxy) on that Resolution at the Ordinary Class Meeting.

The Ordinary Class Meeting will take place at the Company's registered office, Block C, Hirzel Court, Hirzel Street, St Peter Port, Guernsey GY1 2NL, Channel Islands. Ordinary Shareholders alone are entitled to attend and vote at the Ordinary Class Meeting.

The quorum for the Ordinary Class Meeting is two persons present in person or by proxy and holding at least one third of the issued Ordinary Shares at the date of the Meeting. If the Meeting is not quorate, it will be adjourned to the time and place indicated above, whereupon one person holding Ordinary Shares and present in person or by proxy shall form the quorum.

### 17.3 **Extraordinary General Meeting**

The Extraordinary General Meeting has been convened for 4 December 2020 at 10.20 a.m. (or as soon thereafter as the Ordinary Class Meeting concludes or is adjourned). In the event that this Meeting is adjourned due to the absence of a quorum the adjourned meeting will be held at the same venue on the same day at 10.50 a.m.

At the Extraordinary General Meeting, Shareholders will be asked to consider and, if thought fit, pass the following Resolutions.

#### ***Resolution 1***

Resolution 1 (the Waiver Resolution), which is conditional on the passing of Resolution 2, is an ordinary resolution to be taken on a poll by the Independent Shareholders to waive the obligation on the Concert Party which would otherwise arise under Rule 9 as a result of the participation of the Concert Party in the Firm Placing, the participation of the Concert Party in the Open Offer and the issue of the New Ordinary Shares the subject of the Warrants.

**Each member of the Concert Party has undertaken not to vote on the Waiver Resolution.**

#### ***Resolution 2***

Resolution 2 (the Issue Resolution) is a special resolution to authorise the allotment of the New Ordinary Shares and the Warrants on a non-pre-emptive basis (although Shareholders will be entitled to subscribe for New Ordinary Shares under the Open Offer).

#### ***Resolution 3***

Resolution 3 is a special resolution to approve the adoption of the New Articles in substitution for the Existing Articles, thereby to implement the ZDP Continuation.

**Ordinary Shareholders and ZDP Shareholders are entitled to vote (together) in respect of Resolution 3 to be proposed at the Extraordinary General Meeting.**

The majority required for the passing of Resolution 1 to be proposed at the Extraordinary General Meeting is a simple majority of the votes cast (in person or by proxy) on that Resolution at the Extraordinary General Meeting. Only Independent Shareholders may vote on Resolution 1.

The majority required for the passing of each of Resolutions 2, 3 and 4 to be proposed at the Extraordinary General Meeting is not less than 75 per cent. of the votes cast (in person or by proxy) on that Resolution at the Extraordinary General Meeting.

The Extraordinary General Meeting will take place at the Company's registered office, Block C, Hirzel Court, Hirzel Street, St Peter Port, Guernsey GY1 2NL, Channel Islands.

The quorum for the Extraordinary General Meeting is two members present in person or by proxy and holding 5 per cent. or more of the voting rights available at the Meeting. If the Meeting is not quorate, it will be adjourned to the time and place indicated above, whereupon such Shareholders as attend in person or by proxy shall form the quorum.

Notices of all of the above Meetings are set out in Part 10 of the Circular.

**EACH OF THE RESOLUTIONS ARE INTER-CONDITIONAL. IF ANY OF THE RESOLUTIONS ARE NOT PASSED, NONE OF THE PROPOSALS WILL BE IMPLEMENTED.**

## **18 Action to be taken**

### **18.1 Action to be taken in respect of the Meetings**

Forms of proxy for Shareholders are as follows:

- (a) for ZDP Shareholders to vote at the ZDP Class Meeting, a pink form of proxy;
- (b) for Ordinary Shareholders to vote at the Ordinary Class Meeting, a blue form of proxy; and
- (c) for all Shareholders to vote at the Extraordinary General Meeting (ZDP Shareholders in respect of Resolution 3 only), a white form of proxy.

Given current measures around the Covid-19 virus and the desire of the Company to protect the health and safety of Shareholders, Shareholders will understand that each of the Meetings will be convened with the minimum quorum of Shareholders present in order to conduct the business of the Meeting. The only attendees who will be permitted entry to the Meetings will be those who will need to be present to form the quorum to allow the business to be conducted.

**Accordingly, Shareholders will be prevented from attending each of the Meetings in person and are instead strongly encouraged to complete and return the relevant enclosed Form of Proxy in accordance with the instructions printed thereon and as set out in the Circular.** Given the current restrictions on attendance, Shareholders are strongly encouraged to appoint the Chairman of each relevant Meeting to act as their proxy.

Shareholders otherwise entitled to attend and wishing to raise any questions at any of the Meetings should do so by email to [info@glifinance.com](mailto:info@glifinance.com) so as to be received no later than 10.00 a.m. on 2 December 2020. You may not use the email address to communicate with the Company for any purpose other than as expressly stated.

Completed forms of proxy should be returned by post or by hand to the Company's Registrar, Link Group, PXS 1, 34 Beckenham Road, Beckenham, Kent BR3 4TU, United Kingdom, as soon as possible, and in any case so as to be received by the Registrar by not later than:

- (a) 10.00 a.m. on 2 December 2020 in relation to the pink form of proxy for the ZDP Class Meeting;
- (b) 10.10 a.m. on 2 December 2020 in relation to the blue form of proxy for the Ordinary Class Meeting; and
- (c) 10.20 a.m. on 2 December 2020 in relation to the white form of proxy relating to the Extraordinary General Meeting.

### **18.2 Action to be taken in respect of the Open Offer**

The action to be taken by Qualifying Shareholders in respect of the Open Offer depends on whether you hold your Existing Ordinary Shares in certificated or uncertificated form.

Qualifying Shareholders who hold all their Existing Ordinary Shares in certificated form will receive a personalised Open Offer Application Form enclosed with the Circular. The Open Offer Application Form shows Qualifying non-CREST Shareholders the number of New Ordinary Shares available under their Open Offer Entitlement that can be allotted in certificated form. Qualifying non-CREST Shareholders who wish to apply to subscribe for more than their Open Offer Entitlement should complete the relevant sections on their

Open Offer Application Form. Qualifying Shareholders who hold all their Existing Ordinary Shares in CREST will be allotted their Open Offer Entitlements in CREST. Qualifying Shareholders who hold part of their Existing Ordinary Shares in uncertificated form will be allotted New Ordinary Shares in uncertificated form to the extent that their entitlement to New Ordinary Shares arises as a result of holding Existing Ordinary Shares in uncertificated form. However, it will be possible for Qualifying Shareholders to deposit Open Offer Entitlements into, and withdraw them from, CREST. Further information on deposit and withdrawal from CREST is set out in paragraph 4.2.7 of Part 8 of the Circular.

CREST sponsored members should refer to their CREST sponsor as only their CREST sponsor will be able to take the necessary action specified below to apply under the Open Offer in respect of the Open Offer Entitlements and Excess CREST Open Offer Entitlements of such members held in CREST. CREST members who wish to apply for New Ordinary Shares in respect of their Open Offer Entitlements and Excess CREST Open Offer Entitlements should refer to the CREST Manual for further information on the CREST procedures.

**Qualifying Shareholders who do not wish to apply for New Ordinary Shares under the Open Offer should take no action and should not complete or return the Open Offer Application Form, or send a USE message through CREST.**

## **19 Irrevocable undertakings**

ZDP Shareholders holding, in aggregate, 4,677,085 ZDP Shares (representing 53.3 per cent. of the voting rights in respect of ZDP Shares as at the date of this announcement) have given their irrevocable undertaking to vote the ZDP Shares held in their name at the time of the relevant Meetings in favour of the Proposals.

Ordinary Shareholders holding, in aggregate, 174,656,666 Ordinary Shares (representing 56.0 per cent. of the voting rights in respect of Ordinary Shares as at the date of this announcement) have given their irrevocable undertaking to vote the Ordinary Shares held in their name at the time of the relevant Meetings in favour of the Proposals.

Independent Shareholders holding, in aggregate, 91,639,170 Ordinary Shares (representing 41.3 per cent. of the voting rights in respect of Ordinary Shares held by Independent Shareholders as at the date of this announcement) have given their irrevocable undertaking to vote the Ordinary Shares held in their name at the time of the Extraordinary General Meeting in favour of the Waiver Resolution.

## **20 Recommendation**

The Board consider that the terms of the Proposals are in the best interests of both ZDP Shareholders and Ordinary Shareholders and the Company as a whole.

The Board unanimously recommends that ZDP Shareholders vote in favour of the Resolution to be proposed at the ZDP Class Meeting and Resolution 3 to be proposed at the Extraordinary General Meeting. The Board unanimously recommends that Ordinary Shareholders vote in favour of Resolutions to be proposed at the Ordinary Class Meeting and Resolutions 2 to 3 to be proposed at the Extraordinary General Meeting, as they intend to do in respect of their own beneficial shareholdings, totalling 11,317,893 Ordinary Shares (representing in aggregate approximately 3.63 per cent. of the issued Ordinary Share capital of the Company).

The Independent Directors, who have been so advised by Liberum, consider the Proposals to be fair and reasonable and in the best interests of the Independent Shareholders and the Company as a whole. Such advice was provided by Liberum to the Independent Directors only and, in providing such advice, Liberum has taken into account the Independent Directors' commercial assessments. The Independent Directors recommend that Independent Shareholders vote in favour Resolution 1 to be proposed at the Extraordinary General Meeting, as they intend to do in respect of their own beneficial shareholdings, totalling 11,317,893 Ordinary Shares (representing in aggregate approximately 3.63 per cent. of the issued Ordinary Share capital of the Company).

**Shareholders in any doubt as to the action they should take should consult an appropriately qualified independent adviser, authorised under the Financial Services and Markets Act 2000, without delay.**

## TIMETABLE

2020

Record Date for entitlements under the Open Offer	close of business on 13 November
Publication of the Circular, Open Offer opens	17 November
Ex entitlement date for the Open Offer	17 November
Open Offer Entitlements and Excess CREST Open Offer Entitlements enabled in CREST and credited to stock accounts of Qualifying CREST Shareholders	as soon as possible after 8.00 a.m. on 18 November
Recommended latest time and date for requesting withdrawal of Open Offer Entitlements and Excess CREST Open Offer Entitlements from CREST	4.30 p.m. on 25 November
Recommended latest time and date for depositing Open Offer Entitlements and Excess CREST Open Offer Entitlements into CREST	3.00 p.m. on 27 November
Recommended latest time for splitting Open Offer Application Forms (to satisfy <i>bona fide</i> market claims only)	3.00 p.m. on 30 November
Latest time and date for receipt of completed Open Offer Application Forms and payment in full under the Open Offer or settlement of relevant CREST instructions	11.00 a.m. on 2 December
Latest time for receipt of pink form of proxy for the ZDP Class Meeting	10.00 a.m. on 2 December
Latest time for receipt of blue form of proxy for the Ordinary Class Meeting	10.10 a.m. on 2 December
Latest time for receipt of white form of proxy for the Extraordinary General Meeting	10.20 a.m. on 2 December
<b>ZDP Class Meeting</b>	<b>10.00 a.m. on 4 December</b>
<b>Ordinary Class Meeting</b>	<b>10.10 a.m. on 4 December</b>
<b>Extraordinary General Meeting</b>	<b>10.20 a.m. on 4 December</b>
Publication of the results of the Issue and the Meetings	4 December
Admission and dealings in New Ordinary Shares commence	8.00 a.m. on 7 December
CREST accounts credited with uncertificated New Ordinary Shares	7 December
Where applicable, definitive share certificates despatched by post in the week commencing	14 December

All of the times and dates in the expected timetable may be extended or brought forward without further notice. If any of the above times and/or dates change materially, the revised time(s) and/or date(s) will be notified to Shareholders by an announcement through a Regulatory Information Service provider.

## DEFINITIONS

The following definitions apply throughout this announcement, unless the context otherwise requires;

<b>2020 Final Capital Entitlement</b>	141.152 pence
<b>2022 Final Capital Entitlement</b>	164.64 pence
<b>Admission</b>	means admission of the New Ordinary Shares to be issued pursuant to the Issue to trading on the AIM market of the London Stock Exchange
<b>AIM</b>	the AIM market operated by the London Stock Exchange
<b>AIM Rules</b>	the rules of AIM as set out in the publication entitled "AIM Rules for Companies" published by the London Stock Exchange from time to time
<b>Articles</b>	the articles of incorporation of the Company, as amended from time to time
<b>Bond Issue</b>	the proposed issue of New Bonds as described in paragraph 8 of Part 1 of the Circular
<b>Business Day</b>	a day which is not a Saturday, a Sunday, Christmas Day or Good Friday or a day appointed as a public holiday in Guernsey and on which the London Stock Exchange is open for trading
<b>Business Restructuring</b>	the proposed business restructuring of the Group, conditional upon Shareholder approval of the Proposals, and described in paragraph 5 of Part 1 of the Circular
<b>Class Meetings</b>	the ZDP Class Meeting and the Ordinary Class Meeting
<b>Company</b>	GLI Finance Limited, a non-cellular company limited by shares incorporated in Guernsey with registered number 43260, and having its registered office at Block C, Hirzel Court, Hirzel Street, St Peter Port, Guernsey GY1 2NL, Channel Islands
<b>Concert Party</b>	Somerston Fintech, Golf, Lexo Investments Limited, Neslo and La Hauteur Investments Limited
<b>Cover Test</b>	has the meaning set out in paragraph (f) of Part 3 of the Circular
<b>CREST</b>	the system for the paperless settlement of trades in securities and the holding of uncertificated securities, operated by Euroclear
<b>CREST Manual</b>	the compendium of documents entitled "CREST Manual" issued by Euroclear from time to time and comprising the CREST Reference Manual, the CREST Central Counterparty Service Manual, the CREST International Manual, the CREST Rules (including CREST Rule 8), the CCSS Operations Manual and the CREST Glossary of Terms
<b>CREST member</b>	a person who has been admitted by Euroclear as a member (as defined in the CREST Regulations)

<b>CREST participant</b>	a person who is, in relation to CREST, a participant (as defined in the CREST Regulations)
<b>CREST Regulations</b>	The Uncertificated Securities (Guernsey) Regulations 2009
<b>CREST sponsor</b>	a CREST participant admitted to CREST as a CREST sponsor
<b>CREST sponsored member</b>	a CREST member admitted to CREST as a sponsored member
<b>Directors or Board</b>	the board of directors of the Company
<b>Euroclear</b>	Euroclear UK & Ireland Limited in its capacity as the operator of CREST
<b>Excess Application Facility</b>	means the arrangements pursuant to which Qualifying Shareholders may apply for Excess New Shares in excess of their Open Offer Entitlements in accordance with the terms and conditions of the Open Offer
<b>Excess CREST Open Offer Entitlements</b>	in respect of each Qualifying CREST Shareholder, the entitlement set out in the Circular (in addition to its Open Offer Entitlement) to apply for Excess New Shares, credited to its stock account in CREST pursuant to the Excess Application Facility, which is conditional upon such Qualifying CREST Shareholder agreeing to take up its Open Offer Entitlement in full
<b>Excess New Shares</b>	means such number of New Ordinary Shares as may be allocated to the Excess Application Facility (as determined by Liberum and the Company) that have not been taken up by Qualifying Shareholders pursuant to their Open Offer Entitlements
<b>Existing Articles</b>	the Articles in force as at the date of the Circular
<b>Existing Bonds</b>	the 7 per cent. 2021 unsecured bonds issued by the Company
<b>Existing Ordinary Shares</b>	the 312,065,699 ordinary shares in the Company of no par value in issue at the date of the Circular
<b>Extraordinary General Meeting or EGM</b>	the extraordinary general meeting of the Company convened for 4 December 2020, commencing at 10.20 a.m. (or as soon thereafter as the Ordinary Class Meeting concludes or is adjourned) or any adjournment thereof
<b>Final Capital Entitlement</b>	the amount per ZDP Share to which a ZDP Shareholder will be entitled on the relevant repayment date of the ZDP Shares, being, as the context requires, either the 2020 Final Capital Entitlement or the 2022 Final Capital Entitlement
<b>FinTech Ventures</b>	FinTech Ventures Limited, a member of the Group
<b>Firm Placee</b>	Somerston Fintech Limited
<b>Firm Placing</b>	means the placing of the Firm Placing Shares at the Issue Price to the Firm Placee
<b>Firm Placing Shares</b>	the 77,777,778 Ordinary Shares to be issued by the Company under the Firm Placing
<b>FSMA</b>	the Financial Services and Markets Act 2000 (as amended)
<b>Golf</b>	Golf Investments Limited, a subsidiary of Somerston Fintech and a member of the Somerston Group

<b>Gross Issue Proceeds</b>	means the gross proceeds of the Issue
<b>Group</b>	the Company and its subsidiaries from time to time
<b>HIT Facility</b>	has the meaning set out on page 9 of the Circular
<b>HIT Facility Renegotiation</b>	has the meaning set out on page 21 of the Circular
<b>HMRC</b>	HM Revenue & Customs
<b>Honeycomb Investment Trust</b>	Honeycomb Investment Trust plc
<b>Independent Directors</b>	the Directors other than Nicholas Wakefield
<b>Independent Shareholders</b>	shareholders who are independent of a person who would otherwise be required to make a Rule 9 Offer and any person acting in concert with him or her (as defined by the Takeover Code) which, for the purposes of the Panel Waiver, does not include members of the Concert Party
<b>Issue</b>	means the issue of up to a maximum of 177,777,778 New Ordinary Shares pursuant to the Firm Placing and the Open Offer
<b>Issue Price</b>	2.25 pence per New Ordinary Share
<b>Issue Resolution</b>	Resolution 2 to be proposed at the Extraordinary General Meeting to disapply pre-emption rights in respect of the Issue and the issue of the Warrants
<b>Liberum</b>	Liberum Capital Limited
<b>Link Group</b>	a trading name of Link Market Services Limited
<b>London Stock Exchange</b>	London Stock Exchange Plc
<b>Meetings</b>	the ZDP Class Meeting, the Ordinary Class Meeting and the Extraordinary General Meeting (or any of them as the context may require)
<b>New Articles</b>	the new Articles to be adopted (subject to Shareholder approval at the Meetings) in connection with the Proposals, with effect from the passing of Resolution 3 to be proposed at the Extraordinary General Meeting
<b>Neslo</b>	Neslo Partners No. 2 Limited
<b>New Bonds</b>	the 7 per cent. unsecured bonds to be issued by the Company as part of the Proposals
<b>New Ordinary Shares</b>	the new Ordinary Shares to be issued by the Company pursuant to the Issue
<b>Non-CREST Shareholders</b>	means Shareholders holding Ordinary Shares in certificated form
<b>OECD</b>	the Organisation for Economic Co-operation and Development
<b>Open Offer</b>	means the offer to Qualifying Shareholders, constituting an invitation to apply for New Ordinary Shares, on the terms and subject to the conditions set out in Part 8 of the Circular and, in the case of Non-CREST Shareholders, the Open Offer Application Form
<b>Open Offer Application Form</b>	means the application form on which Non-CREST Shareholders who are registered on the Register as at the Record Date may

apply for New Ordinary Shares under the Open Offer

<b>Open Offer Entitlement</b>	means the entitlement of Qualifying Shareholders to apply for New Ordinary Shares pursuant to the Open Offer on the basis of 1,583 New Ordinary Shares for every 4,940 Existing Ordinary Shares held and registered in their names as at the Record Date
<b>Open Offer Shares</b>	the 100,000,000 New Ordinary Shares being made available to Qualifying Shareholders pursuant to the Open Offer
<b>Ordinary Class Meeting</b>	the class meeting of Ordinary Shareholders convened for 4 December 2020, commencing at 10.10 a.m. (or as soon thereafter as the ZDP Class Meeting concludes or is adjourned) or any adjournment thereof
<b>Ordinary Shareholder</b>	a holder of Ordinary Shares
<b>Ordinary Shares</b>	the ordinary shares of no par value in the capital of the Company
<b>Overseas Shareholders</b>	means Shareholders with registered addresses outside the United Kingdom or who are citizens or residents of countries outside the United Kingdom
<b>Panel</b>	The Panel on Takeovers and Mergers
<b>Panel Waiver</b>	the waiver granted by the Panel (conditional on the approval of the Waiver Resolution by the Independent Shareholders) of the obligation that would otherwise arise for the Concert Party to make a Rule 9 Offer under the Takeover Code as a consequence of the allotment and issue to it (or members of it) of the Firm Placing Shares, the Open Offer Shares or the New Ordinary Shares issued upon exercise of the Warrants
<b>Placing and Open Offer Agreement</b>	the placing and open offer agreement dated 17 November 2020 between the Company and Liberum
<b>Proposals</b>	the proposals for the Firm Placing, Open Offer, Bond Issue, Warrant Issue, ZDP Continuation and Business Restructuring
<b>Prospectus Regulation Rules</b>	the rules and regulations made by the FCA under Part VI of FSMA
<b>Qualifying CREST Shareholders</b>	Qualifying Shareholders whose Existing Ordinary Shares are in uncertificated form
<b>Qualifying non-CREST Shareholders</b>	Qualifying Shareholders whose Existing Ordinary Shares are in certificated form
<b>Qualifying Shareholders</b>	means holders of Existing Ordinary Shares on the Register on the Record Date (other than certain Overseas Shareholders as described in Part 8 of the Circular)
<b>Record Date</b>	means close of business on 13 November 2020
<b>Register</b>	the register of members of the Company
<b>Registrar</b>	Link Group
<b>Relationship Agreement</b>	the relationship agreement dated 17 November 2020 between the Company and Somerston Fintech
<b>Resolutions</b>	the resolutions to be proposed for approval by Shareholders at the Meetings, or any of them as the context requires

<b>Rule 9 Offer</b>	a general offer under Rule 9 of the Takeover Code
<b>Sancus BMS Group</b>	Sancus BMS Group Limited and its subsidiaries, members of the Group
<b>Share</b>	a ZDP Share or an Ordinary Share, as the context requires
<b>Shareholder</b>	a holder of Shares
<b>Somerston Fintech</b>	Somerston Fintech Limited, a member of the Somerston Group
<b>Somerston Group</b>	the Somerston group of companies comprising Somerston Group Limited together with its subsidiary companies including Somerston Fintech and Golf
<b>Takeover Code</b>	the City Code on Takeovers and Mergers
<b>Tender Offer</b>	the proposed Tender Offer for ZDP Shares expected to be made by the Company to the ZDP Shareholders by 31 March 2021
<b>UK</b>	the United Kingdom
<b>UK Companies Act</b>	the Companies Act 2006 of the UK
<b>US Investment Company Act</b>	US Investment Company Act of 1940, as amended
<b>US Person</b>	any person who is a US person within the meaning of Regulation S adopted under the US Securities Act
<b>US Securities Act</b>	US Securities Act of 1933, as amended
<b>Waiver Resolution</b>	the ordinary resolution of the Independent Shareholders to approve the Panel Waiver, to be proposed on a poll at the EGM and set out as Resolution 1 in the notice of the EGM
<b>Warrant Instrument</b>	the warrant instrument of the Company dated the date of this announcement and constituting the Warrants
<b>Warrant Issue</b>	the proposed issue of Warrants in connection with the Bond Issue
<b>Warrants</b>	the warrants constituted by the Warrant Instrument and to be issued, subject to the approval of Ordinary Shareholders, to investors in the Bond Issue and which entitle the holders to subscribe for up to 183,691,304 new Ordinary Shares at a subscription price of 2.25 pence per Ordinary Share
<b>ZDP Class Meeting</b>	the class meeting of ZDP Shareholders convened for 4 December 2020, commencing at 10.00 a.m. or any adjournment thereof
<b>ZDP Continuation</b>	the adoption of the New Articles which will extend the term of the ZDP Shares to 5 December 2022 and provide for a 2022 Final Capital Entitlement of 164.64 pence per ZDP Share
<b>ZDP Continuation Resolution</b>	Resolution 3 to be proposed at the Extraordinary General Meeting to adopt the New Articles
<b>ZDP Maturity Date</b>	the maturity date of the ZDP Shares (i.e. the date on which the Final Capital Entitlement is payable to ZDP Shareholders), being 5 December 2020 under the Existing Articles or, if Shareholders vote in favour of the ZDP Continuation, 5 December 2022 under the New Articles
<b>ZDP Shareholder</b>	a holder of ZDP Shares

**ZDP Shares**

the redeemable zero dividend preference shares of no par value in the capital of the Company

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