



## Placing and Admission to AIM



*Zeus Capital*



**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended), who specialises in advising on the acquisition of shares and other securities.**

This document, which comprises an AIM admission document drawn up in accordance with the AIM Rules for Companies, has been issued in connection with the application for admission to trading of the entire issued ordinary share capital of the Company to trading on AIM. This document contains no offer of transferable securities to the public within the meaning of section 102B of FSMA, the Act or otherwise. Accordingly, this document does not constitute a prospectus within the meaning of section 85 of FSMA and has not been drawn up in accordance with the Prospectus Rules or approved by the FCA or any other competent authority.

Application has been made for all of the issued and to be issued Ordinary Shares to be admitted to trading on AIM. It is expected that **Admission will become effective and that unconditional dealings will commence in the Ordinary Shares on 17 December 2015. No application has been, or is currently intended to be, made for the Ordinary Shares to be admitted to listing or trading on any other stock exchange.**

**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 Directors, whose names appear on page 5 of this document, and the Company accept responsibility, collectively and individually, in accordance with the AIM Rules for Companies, for the information contained in this document. To the best of the knowledge of the Company and its Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.

**Prospective investors should read this document in its entirety. An investment in the Company includes a significant degree of risk and prospective investors should consider carefully the risk factors set out in Part II of this document.**

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## **Purplebricks Group plc**

*(Incorporated under the Companies Act 2006 and registered in England and Wales with registered number 08047368)*

**Placing of 58,113,216 new and existing Ordinary Shares of 1 pence each at 100p per share  
and**

**Admission to trading on AIM**

**Nominated Adviser and Broker**

**Zeus Capital**

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**Share capital immediately following Admission**

**Issued and fully paid**

	<i>Amount</i>	<i>Number</i>
Ordinary shares of 1 pence each	£240,259,152	240,259,152

Zeus Capital, which is authorised and regulated in the United Kingdom by the FCA, is acting as nominated adviser and broker to the Company in connection with the proposed Placing and Admission and will not be acting for any other person (including a recipient of this document) or otherwise be responsible to any person for providing the protections afforded to clients of Zeus Capital or for advising any other person in respect of the proposed Placing and Admission or any transaction, matter or arrangement referred to in this document. Zeus Capital's responsibilities as the Company's nominated adviser and broker under the AIM Rules for Nominated Advisers are owed solely to London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire shares in the Company in reliance on any part of this document.

Apart from the responsibilities and liabilities, if any, which may be imposed on Zeus Capital by FSMA or the regulatory regime established thereunder, Zeus Capital does not accept any responsibility whatsoever for the contents of this document, including its accuracy, completeness or verification or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Ordinary Shares or the Placing and Admission. Zeus Capital accordingly disclaims all and any liability whether arising in tort, contract or otherwise (save as referred to above) in respect of this document or any such statement.

A copy of this document is available, subject to certain restrictions relating to persons resident in any Restricted Jurisdiction, at the Company's website [www.purplebricks.com/investors](http://www.purplebricks.com/investors). Neither the content of the Company's website nor any website accessible by hyperlinks to the Company's website is incorporated in, or forms part of, this document.

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## IMPORTANT NOTICE

### Cautionary Note Regarding Forward-Looking Statements

This document includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “plans”, “projects”, “anticipates”, “expects”, “intends”, “may”, “will”, or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the Directors’ current intentions, beliefs or expectations concerning, among other things, the Company’s results of operations, financial condition, liquidity, prospects, growth, strategies and the Company’s markets.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this document are based on certain factors and assumptions, including the Directors’ current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Company’s operations, results of operations, growth strategy and liquidity. While the Directors consider these assumptions to be reasonable based upon information currently available, they may prove to be incorrect. Prospective investors should therefore specifically consider the risk factors contained in Part II of this document that could cause actual results to differ before making an investment decision. Save as required by law or by 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 Directors’ expectations or to reflect events or circumstances after the date of this document.

### Notice to Overseas Persons

The distribution of this document in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

The Ordinary Shares have not been, nor will they be, registered under the United States Securities Act of 1933, as amended, (the **US Securities Act**) and may not be offered, sold or delivered in, into or from the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. Subject to certain exemptions, this document does not constitute an offer of Ordinary Shares to any person with a registered address, or who is resident in, the United States. There will be no public offer in the United States. Outside of the United States, the Placing Shares are being offered in reliance on Regulation S under the US Securities Act. The Ordinary Shares will not qualify for distribution under the relevant securities laws of Australia, Canada, the Republic of South Africa or Japan, nor has any prospectus in relation to the Ordinary Shares been lodged with, or registered by, the Australian Securities and Investments Commission or the Japanese Ministry of Finance. Accordingly, subject to certain exemptions, the Ordinary Shares may not be offered, sold, taken up, delivered or transferred in, into or from the United States, Australia, Canada, the Republic of South Africa, Japan or any other jurisdiction where to do so would constitute a breach of local securities laws or regulations (each a **Restricted Jurisdiction**) or to or for the account or benefit of any national, resident or citizen of a Restricted Jurisdiction. This document does not constitute an offer to issue or sell, or the solicitation of an offer to subscribe for or purchase, any Ordinary Shares to any person in a Restricted Jurisdiction and is not for distribution in, into or from a Restricted Jurisdiction.

The Ordinary Shares have not been approved or disapproved by the US Securities and Exchange Commission, or any other securities commission or regulatory authority of the United States, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Placing Shares nor have they approved this document or confirmed the accuracy or adequacy of the information contained in this document. Any representation to the contrary is a criminal offence in the US.

**Basis on which Financial Information is presented**

Unless otherwise indicated, financial information in this document, including the historical financial information on the Company for the years ended 30 April 2013, 2014 and 2015 and the unaudited interim financial information on the Company for the five months ended 30 September 2015 has been prepared in accordance with IFRS.

Various figures and percentages in tables in this document, including financial information, have been rounded and accordingly may not total. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetical totals of such data.

In the document, references to “pounds sterling”, “£”, “pence” and “p” are to the lawful currency of the United Kingdom.

**Market, Economic and Industry Data**

This document contains information regarding the Company’s business and the industry in which it operates and competes, which the Company has obtained from various third party sources. Where information contained in this document originates from a third party source, it is identified where it appears in this document together with the name of its source. Such third party information has been accurately reproduced and, so far as the Company is aware and is 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. The Company has obtained the third party data in this document from industry studies, forecasts, reports, surveys and other publications.

**References to Defined Terms**

Certain terms used in this document are defined and certain technical and other terms used in this document are explained in the sections of this document under the headings “Definitions” and “Glossary”.

All times referred to in this document are, unless otherwise stated, references to London time.

## DIRECTORS, SECRETARY AND PROFESSIONAL ADVISERS

Directors	Paul Pindar ( <i>Non-executive Chairman</i> ) Michael Bruce ( <i>Chief Executive Officer</i> ) Neil Cartwright ( <i>Chief Financial Officer</i> ) Nick Discombe ( <i>Senior Non-executive Director</i> ) William Whitehorn ( <i>Independent Non-executive Director</i> )  <i>All of whose business addresses is at the Company's registered and head office</i>	
Registered and Head Office	Suite 7, Cranmore Place Cranmore Drive Shirley Solihull West Midlands B90 4RZ	
Company Website	www.purplebricks.com	
Company Secretary	Neil Cartwright	
Nominated Adviser and Broker	Zeus Capital Limited 82 King Street Manchester M2 4WQ	41 Conduit Street London W1S 2YQ
Legal advisers to the Company	Norton Rose Fulbright LLP 3 More London Riverside London SE1 2AQ	
Legal advisers to Zeus Capital	Travers Smith LLP 10 Snow Hill London EC1A 2AL	
Reporting Accountants	Grant Thornton UK LLP Colmore Plaza 20 Colmore Circus Birmingham B4 6AT	
Registrars	Capita Registrars Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	

## DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

<b>Act</b>	the Companies Act 2006 (as amended)
<b>Admission</b>	the admission of the Ordinary Shares to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules for Companies
<b>AIM</b>	AIM, a market operated by 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>A Ordinary Shares</b>	the A ordinary shares of £0.01 each in the Company in issue prior to the Share Capital Reorganisation
<b>Articles</b>	the articles of association of the Company
<b>Board or Directors</b>	the directors of the Company, whose names are set out on page 5 of this document
<b>B Ordinary Shares</b>	the B ordinary shares of £0.01 each in the Company in issue prior to the Share Capital Reorganisation
<b>CA 2006</b>	the Companies Act 2006
<b>Central Property Experts</b>	the members of the customer service term, who are employed by the Company or provided to the Company through outsourcing arrangements entered into by the Company
<b>CEO</b>	Chief Executive Officer of the Company
<b>CMA</b>	the Competition and Markets Authority
<b>Company or Purplebricks</b>	Purplebricks Group plc, a company incorporated in England and Wales with company number 08047368
<b>C Ordinary Shares</b>	the C ordinary shares of £0.01 each in the Company in issue prior to the Share Capital Reorganisation
<b>City Code</b>	the City Code on Takeovers and Mergers
<b>Close Brothers</b>	Close Brothers Limited, a company incorporated in England and Wales with company number 00195626
<b>CREST</b>	the relevant system (as defined in the CREST Regulations) for paperless settlement of share transfers and holding shares in uncertificated form which is administered by Euroclear
<b>CREST Regulations</b>	the Uncertificated Securities Regulations 2001 (S.I. 2001 No. 3755) (as amended)
<b>Disclosure and Transparency Rules</b>	the Disclosure and Transparency Rules made by the FCA pursuant to 73A of FSMA
<b>D Ordinary Shares</b>	the D ordinary shares of £0.01 each in the Company in issue prior to the Share Capital Reorganisation
<b>EEA</b>	the European Economic Area

<b>EMI</b>	enterprise management incentive
<b>Enlarged Ordinary Share Capital</b>	the entire Ordinary Share capital of the Company as enlarged by the issue of the New Ordinary Shares under the Placing
<b>EPC</b>	Energy Performance Certificate
<b>EU</b>	the European Union
<b>Euroclear</b>	Euroclear UK & Ireland Limited, a company incorporated in England and Wales with company number 02878738
<b>Executive Directors</b>	Michael Bruce and Neil Cartwright
<b>Existing Ordinary Shares</b>	the Ordinary Shares in issue immediately prior to Admission following the Share Capital Reorganisation
<b>Existing Share Incentives Arrangements</b>	the Company's existing share option arrangements, details of which are set out in paragraph 7 of Part V of this document
<b>FCA</b>	the Financial Conduct Authority
<b>FSMA</b>	the Financial Services and Markets Act 2000 (as amended)
<b>HMRC</b>	HM Revenue & Customs
<b>Home Pack</b>	the pack of three documents (a single survey, energy report and property questionnaire) required to market a property in Scotland
<b>Homeserve</b>	Homeserve Membership Limited, a company incorporated under the laws of England and Wales with company number 2770612
<b>IFRS</b>	International Financial Reporting Standards
<b>IPO</b>	initial public offering
<b>Local Property Experts or LPEs</b>	the local property experts of the Company who are an integral part of the Company's business, being persons employed by the Company or persons or companies granted a licence by the Company to operate under the Purplebricks brand in a specified area
<b>LPE Licence Agreements</b>	the licence agreements entered into by LPEs on the basis of a Company template which govern the relationship between the Company and the LPEs and the LPEs' use of the Company's name
<b>Lock-In Agreements</b>	the conditional agreements dated 1 December 2015, 3 December 2015 or on or around 10 December 2015 and made between (1) the Company (2) Zeus Capital (3) the Directors and (4) certain other Shareholders, further details of which are set out in paragraph 9.3 of Part V of this document
<b>London Stock Exchange</b>	London Stock Exchange plc
<b>Mortgage Advice Bureau</b>	Mortgage Advice Bureau Limited, a company incorporated under the laws of England and Wales with company number 3368205
<b>Mortgage Market Review or MMR</b>	the FCA's Mortgage Market Review which came into effect in 2014 and places regulatory requirements on mortgage lenders and intermediaries
<b>New Ordinary Shares</b>	25,000,000 new Ordinary Shares being issued pursuant to the Placing



<b>Non-executive Directors</b>	Nick Discombe, Paul Pindar and William Whitehorn
<b>Nomad and Broker Agreement</b>	the conditional agreement dated 3 December 2015 made between (1) the Company and (2) Zeus Capital relating to Zeus Capital's role as nominated adviser and broker to the Company, further details of which are set out in paragraph 9.4 of Part V of this document
<b>Official List</b>	the Official List of the FCA
<b>Ordinary Shares</b>	ordinary shares of £0.01 each in the capital of the Company
<b>Panel</b>	the Panel on Takeovers and Mergers
<b>Placing</b>	the conditional placing of the Placing Shares by Zeus Capital as agent for and on behalf of the Company and the Selling Shareholders pursuant to the terms of the Placing Agreement and the Selling Shareholders Agreements
<b>Placing Agreement</b>	the conditional agreement dated 3 December 2015 and made between (1) the Company (2) Zeus Capital (3) the Directors (in their capacities as directors and, where applicable, Selling Shareholders) and (4) Kenny Bruce, relating to the Placing, further details of which are set out in paragraph 9.1 of Part V of this document
<b>Placing Price</b>	100 pence per Placing Share
<b>Placing Shares</b>	the 25,000,000 New Ordinary Shares to be issued by the Company and the 33,113,216 Existing Ordinary Shares being sold on behalf of the Selling Shareholders, in each case at the Placing Price, pursuant to the Placing
<b>PPC</b>	pay per click advertising on search engines
<b>PR</b>	public relations
<b>Premier Property Lawyers</b>	Premier Property Lawyers Limited, a company incorporated under the laws of England and Wales with company number 4323405
<b>Prime Location</b>	Primelocation.com, a part of Zoopla Property Group plc
<b>Prospectus Rules</b>	the prospectus rules made by the FCA pursuant to section 73A of FSMA
<b>Registrar</b>	Capita Registrars Limited
<b>Restricted Jurisdiction</b>	the United States, Canada, Australia, the Republic of South Africa, Japan or any other country outside of the United Kingdom where the distribution of this document may lead to a breach of any applicable legal or regulatory requirements
<b>Rightmove</b>	Rightmove Group Limited, a company incorporated in England and Wales with company number 03997679
<b>Selling Shareholders</b>	Michael Bruce, Kenny Bruce, certain other Directors and those other Shareholders who have entered into Selling Shareholders Agreements

<b>Selling Shareholders Agreements</b>	the conditional agreements dated 3 December 2015 or 9 December 2015 made between the Selling Shareholders (other than the Selling Shareholders who are party to the Placing Agreement) and Zeus Capital relating to the sale of Existing Ordinary Shares in the Placing, further details of which are set out in paragraph 9.2 of Part V of this document
<b>Series Seed Shares</b>	the series seed shares of £0.01 each in the Company in issue prior to the Share Capital Reorganisation
<b>Shareholder</b>	a holder of shares in the capital of the Company
<b>Share Capital Reorganisation</b>	the reorganisation of the share capital of the Company being effected prior to Admission, details of which are set out in paragraphs 2.3 and 2.5 to 2.7 of Part V of this document
<b>TSI</b>	Trading Standards Institute
<b>UK or United Kingdom</b>	the United Kingdom of Great Britain and Northern Ireland
<b>UKLA</b>	the FCA, acting for the purposes of Part VI of FSMA
<b>uncertificated or in uncertificated form</b>	recorded on the register of Ordinary Shares as being held in uncertificated form in CREST, entitlement to which, by virtue of the CREST Regulations, may be transferred by means of CREST
<b>US, USA or United States</b>	the United States of America, each state thereof, its territories and possessions and the District of Columbia and all other areas subject to its jurisdiction
<b>VAT</b>	UK value added tax
<b>Warrants</b>	the warrants to subscribe for Ordinary Shares, details of which are set out in paragraph 2.7 of Part V of this document
<b>Woodford</b>	collectively, CF Woodford Investment Fund, Woodford Patient Capital Trust plc and Woodford Investment Management LLP as manager of CF Woodford Investment Fund and Woodford Patient Capital Trust plc
<b>Zeus Capital</b>	Zeus Capital Limited
<b>Zoopla</b>	ZPG Limited, a company incorporated in England and Wales with company number 06074771

## PLACING STATISTICS

Placing Price	100 pence
Number of Placing Shares	58,113,216
Percentage of Enlarged Ordinary Share Capital being placed pursuant to the Placing	24.2 per cent.
Number of New Ordinary Shares to be issued by the Company	25,000,000
Gross proceeds of the Placing receivable by the Company	£25.0 million
Estimated net proceeds of the Placing receivable by the Company	£22.8 million
Number of Existing Ordinary Shares to be sold by Selling Shareholders	33,113,216
Gross proceeds of the Placing receivable by the Selling Shareholders	£33.1 million
Estimated net proceeds of the Placing receivable by the Selling Shareholders	£32.2 million
Number of Ordinary Shares in issue at Admission	240,259,152
Market capitalisation of the Company at the Placing Price at Admission	£240.3 million
Fully diluted valuation of the Company at the Placing Price at Admission	£255.0 million
ISIN number	GB00BYV2MV74
SEDOL number	BYV2MV7
AIM “ticker”	PURPL

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	<i>Date<sup>(1)</sup></i>
Publication of this document	3 December 2015
Admission and commencement of dealings in the Enlarged Ordinary Share capital on AIM	8.00 am. on 17 December 2015
CREST accounts credited, where applicable	17 December 2015
Despatch of definitive share certificates, where applicable, by	7 January 2016

### Notes

(1) Each of the above dates is subject to change at the absolute discretion of the Company and Zeus Capital.



## PART I

### INFORMATION ON THE COMPANY

#### Introduction

Purplebricks is a national estate agency and lettings business driven by a combination of professional local property experts, technology and customer facing software designed to change the whole experience of selling, buying and letting property. The Company is becoming a major brand through extensive advertising and marketing, providing a service intended to exceed customers' expectations, whilst charging a fraction of the cost of a traditional estate agent.

The Company has grown rapidly since its regional launch in April 2014 with its revenue in September 2015 being around 10 times greater than the previous year. Based on the Company's recent monthly run-rate of fee paying customers, which reached 1,660 in September, the Directors estimate that Purplebricks already has the fourth highest number of such customers<sup>1</sup>.

The Company was founded by brothers Michael and Kenny Bruce on the principle of delivering excellent customer service and with the joint aims of changing both the way people think about estate agents and the process of selling, buying or letting a property. Purplebricks operates a hybrid model which brings together:

- professional, dedicated LPEs who typically have a number of years' experience of estate agency and valuing property in their local area; and
- an advanced technology platform that facilitates the process of selling, buying and letting a property 24 hours a day at the touch of a button from any device. This makes selling, buying and letting a property more convenient, cost effective and transparent than the traditional estate agent model.

The Company engages LPEs who have detailed knowledge of their respective areas, visit the properties and provide valuations. Once instructed the LPEs provide support, advice and assistance throughout the sales process. Nearly 90 per cent. of the LPEs are engaged by the Company under a licence agreement and operate as their own business. Purplebricks' technology enables valuations to be booked, viewings to be arranged, offers to be made, sales to be agreed, prices to be changed and information to be obtained on feedback from viewers and on the portal activity to be available 24 hours a day.

The technology enables a vendor to have their property live on the market within a very short period of instruction and for it to be listed on [www.purplebricks.com](http://www.purplebricks.com) and all major property websites including Rightmove via an instant feed, and both Zoopla and Prime Location currently via an overnight feed.

The Purplebricks service has achieved a rating of excellent by review website Trustpilot A/S (**Trustpilot**) (rated 9.4) with over 3,000 reviews from customers. The ultimate aim is to make the Purplebricks model – a hybrid approach – the most widely accepted, popular and effective way to sell or let property.

Whilst the Company's model has proven to be attractive across all property types and property values and to all demographic categories of customers, it presently appeals most to those who have experienced the process of buying and selling a house before, typically are 45 years old and upwards with an average house price in the £200,000 to £500,000 range. Purplebricks, however, has been instructed on properties of much lower and much higher value and the Directors believe that the Purplebricks model can be applied to other segments of the market. The range of customers and properties continues to develop as the Company grows its reputation for service and delivery and increases its market share in high value regions such as London where it launched more recently.

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<sup>1</sup> Purplebricks figure is based on annualised number of instructions received in September 2015, which is higher than the actual number of instructions received over the year to September 2015. Other estate agent's figures compared have been obtained from publicly available information or estimated by management, may represent different 12 month periods and are based on completed sales numbers.

## **Market opportunity and competition**

It is estimated that annual UK estate agency fees amount to over £4.4 billion. According to government figures, there were approximately 1.2 million completed residential housing sales in the year to September 2015 and the Directors estimate that 1.5 million will have come to the market by the end of 2015. In the year to September 2015, there were approximately 1.0 million lettings (including re-lets) and, according to government figures, there are an aggregate of 3.8 million houses in the private rental sector.

At present, the estate agency industry remains predominantly represented by corporate and independent high street estate agents with a number of small pure online alternative players.

Traditional estate agents have high street premises ranging from one office to as many as 1,400 offices. Their fees, which average over £4,000 (inc. VAT) per sale, range from 1 per cent. to 3 per cent. of the sale price of the property, plus VAT. The average rate charged in the UK according to recent data is 1.6 per cent. compared to 1.8 per cent. in 2011. Many also charge a fee on instruction, sometimes referred to as a marketing fee, in addition to their percentage commission.

Alternative players have been in the market for around nine years. The Directors consider that, although there are currently over 30 online competitors in the UK, the top five national online competitors by transaction number are Emoov, Tepilo, Housesimple, Housenetwork and Hatched. They typically offer a cheaper fee than high street estate agents but their service is provided mainly online. Importantly therefore they do not usually provide real local expertise to assist with valuation and/or the sales process to achieve a successful sale at the best possible price, unlike Purplebricks. On average, online agents charge a fee of approximately £720 (inc. VAT). The Directors consider that many potential customers have not been prepared to engage with a purely online proposition and that the hybrid model developed by Purplebricks has proved within a relatively short period of time to be more popular with consumers. In the 18 months since its regional launch, Purplebricks has emerged as the market leader in the online sector; the Company has a market share of new online instructions of the top six national online competitors in excess of 60 per cent.; and has approximately 4,300 residential properties for sale, which represents twice the number of properties as the next largest online agency<sup>1</sup>.

The Directors consider that with its national team of LPEs, advanced technology, scalable infrastructure and growing awareness and popularity amongst customers, Purplebricks should continue to increase its market share, predominantly at the expense of traditional high street estate agents. The Company is building a strong track record for excellent customer service as demonstrated by reviews on Trustpilot, it has lower overheads than its national high street competitors and has developed technology that has enabled customers to have a very high frequency of interaction throughout the sales process making selling a home, often considered difficult, slow and expensive, a convenient, cost effective and transparent process. The Directors consider that Purplebricks' growth, investment to date in both technology and marketing and the utilisation of the hybrid model provides the Company an important competitive advantage.

## **Growth strategy**

The Directors believe the Company's strengths provide the business with a number of advantages over other estate agents in the United Kingdom, whether online or on the high street. As these competitive advantages create barriers to entry, the business model may be difficult for other potential entrants to replicate on a large scale in the short to medium term.

The founders started work on the Purplebricks proposition full time in October 2011, undertaking significant market research and testing of the Purplebricks proposition and building the infrastructure and recruiting a team to work towards a successful launch some 2½ years later. Purplebricks initially launched regionally along the south coast of England in mid April 2014. It later grew into the central region, in September 2014 and, from February 2015 through to June 2015, launched across the remainder of the UK, achieving a national footprint by launching in Scotland on 10 November 2015. The Company's strategy is to build upon its market-leading hybrid customer proposition and increase Purplebricks' share of the UK estate agency market for both sales and lettings.

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<sup>1</sup> Purplebricks typically also sells its properties faster than its online competitors.

The key drivers for growth are considered to be:

### ***Brand awareness and customer engagement***

Purplebricks aims to increase brand awareness among UK homeowners, landlords, buyers and sellers as a trusted and effective alternative to high street estate agents and online competitors. The success of the Company to date has been achieved despite it being a relatively new brand with, initially, no awareness among UK consumers. Further investment in advertising and marketing, to include national TV, radio and Google™ pay-per-click should, in the Directors' opinion, help to grow such awareness.

Each visit to the Company's website, which results in a registration, a valuation or viewing being booked or an offer being made, creates opportunities to offer customers individualised services in addition to the core conveyancing, mortgage and insurance services and products. Creating services and products to meet the needs of customers in real time whether via the platform or engaging with them over the phone or in person gives Purplebricks the opportunity to not only build brand awareness but also to grow revenue.

Purplebricks will continue to work on optimising its advertising and marketing campaigns and their associated spend, aiming to increase conversion rates from website visits to valuation and from valuation to instruction. The Company will look to exploit targeted marketing activities, including social media and search engine optimisation, to increase brand awareness and lower per unit customer acquisition costs. Purplebricks also seeks to strengthen customer loyalty through recommendation and reward programmes.

### ***Regional penetration***

London and Scotland were the last two regions to be launched by the Company to complete Purplebricks' national footprint.

In London, the Company is aiming to accelerate customer awareness, building upon the start that has been made recently. Purplebricks affords the opportunity for a significant average saving for customers in London and, with the concentrated number of transactions, the Company considers that its market share has the potential to grow as awareness increases.

Having only launched there in November 2015, Scotland presents a clear opportunity to increase transactions and revenue, particularly through the additional income derived from the legal requirement in Scotland for a seller to purchase a Home Pack before they can market their property for sale.

The Company aims to continue to attract and retain top quality LPEs and therefore grow its presence across all of the regions in the UK.

### ***Lettings***

To date the Company has invested much of its time, infrastructure, management and financial resources in the development of the residential sales side of the business. However, Purplebricks has identified a significant opportunity to capitalise on the UK residential lettings market. As with sales, high street estate agents have the greatest market share, although the online lettings sector is growing. Online letting agents have predominantly concentrated on a purely digital do-it-yourself model for a low fixed or variable fee for marketing the property on Rightmove and Zoopla. Although the Purplebricks platform facilitates this type of service, the Company has concluded, after market testing, that offering both fully and part-managed lettings services that compete more closely with the high street model should enable it to create a more sustainable lettings business with recurring income streams and to provide a cost effective, professional, transparent service that it believes the majority of landlords and tenants want.

### ***Technology***

Purplebricks has spent over four years developing and building its technology and has a team of developers who work on new features, maintenance and security. Purplebricks intends to continue to develop its offering, introducing new versions of its platform and assessing new and improved ways of accessing and operating the process of selling, buying and letting property.

The Directors also consider that, in the longer term, the Company's platform, technology and business model could be extended (whether in its current form directly through the Company or through an alternative structure) to certain overseas markets where, in many cases, fees are considerably higher than the UK.

## **The customer journey – the hybrid model**

The Company's hybrid model has been built with a view to ensuring that the customer can effect instantaneous actions and has the benefit of continuous support and advice. The stages of the sale process based on the Company's model are as follows:

1. ***Advertising or recommendation:*** The Company targets its customers via a broad range of advertising media, including television, radio, Google™ and social media and this has proven to be effective at national, regional and highly local levels. Increasingly the Directors anticipate that word of mouth and recommendation will create a source of referrals to the Company.
2. ***Visit [www.purplebricks.com](http://www.purplebricks.com):*** A potentially interested customer is then able to make their initial engagement with Purplebricks at any time of day by visiting the Purplebricks website. The Company's simple to use and bespoke website has been designed to provide visitors with a clear understanding of the Company's products and services, fees, the sales process and the Company's achievements. The website encourages visitors to book a free valuation with one of the Company's LPEs.
3. ***Booking a free valuation:*** A valuation can be booked online in real time or a customer can call the Company's Central Property Experts 24 hours a day should they choose to do so. It is the Company's experience that the vast majority of customers book online, which is a simple, straightforward process enabling them to choose a date and time to suit, provide basic details about themselves and the property. The LPE will call the customer in advance of the visit to learn more about the property. After the visit, a free valuation report will be provided normally on the same day. This report encompasses key selling features, information on the market, details of similar properties sold and for sale, comparable evidence and the particular valuation.
4. ***Access to a dedicated LPE throughout the process:*** Under the Purplebricks model, the LPE who has visited the property, and has knowledge of the area and the property, will have an ongoing relationship with the customer and is dedicated, committed to and responsible for supporting and advising the customer throughout their sales process, with a view to achieving the highest price reasonably obtainable. The customer receives the LPE's direct contact number and email address and can contact them at any time. The customer can also contact Purplebricks 24 hours a day through its Central Property Experts.
5. ***Instructing Purplebricks for a fixed fee:*** Purplebricks sells all properties for a fixed fee of £798 (inc. VAT) or, in some London areas, £1,158 (inc. VAT). On instruction, the LPE will take photographs of the property, create a floor plan, write a description and submit a customer's advert to them for approval. The customer can either choose to pay upfront or can decide to delay payment, including the cost of an EPC if needed, to 10 months following instruction.
6. ***Reviewing and approving the property advert:*** The customer will then receive confirmation that their advert is ready to review and approve. They can review the advert and suggest amendments, approve each constituent part online and, once they are satisfied, the advert can go live, instantly on Purplebricks and Rightmove and via a feed to other portals such as Zoopla and Primelocation. The moment that the property has gone live, whatever time of day or night, all buyers and tenants registered with Purplebricks are notified that the property has come to the market. The property is also sent as part of an instant feed to the portals, where on Rightmove it should appear instantly and for Zoopla and Primelocation is made live via an overnight feed.
7. ***Receiving viewings, feedback and offers instantly:*** The technology created by the Company enables interaction 24 hours a day. This means customers, whatever time of day or night, can, amongst other things, arrange viewings, make and negotiate offers, agree sales, change their price, find out how their sale or letting is progressing, obtain viewing feedback and performance reports and create photobooks in real time.
8. ***Supporting the sale or letting once agreed:*** Following the acceptance of an offer, the Company's dedicated post-sales support team guides the customer through the conveyancing process and is on hand to assist with any problems or questions. This process is included in the fixed fee and the nature of the support provided is made clear and transparent to the customer in the Company's post sales charter.



Based on recent statistics published by Trustpilot, Purplebricks scored an average of 9.4 out of 10 with 86.5 per cent. of respondents providing a rating of a full five stars and 8.4 per cent. providing a four star rating. The feedback received by the Company suggests that the favourable reviews are based upon a combination of the simplicity of the process, the material cost savings made as well as the quality of the advice and support of the LPEs.

### **Advertising and marketing**

Advertising and marketing are key to Purplebricks' growth strategy and the Company's activity in these areas is co-ordinated by an experienced team of professionals. The Chief Marketing Officer, Joby Russell, joined Purplebricks in January 2015 from Confused.com where he led the marketing strategy on behalf of Admiral Group. James Kydd, Advertising and Marketing Director, joined Purplebricks prior to its launch having previously been head of brand and marketing at Virgin Group.

Purplebricks' objective is to create and drive awareness of its brand amongst sellers and landlords and to build trust and credibility in its innovative approach to selling and letting property. The ultimate aim is to make the Purplebricks model – a hybrid approach – the most widely accepted, popular and effective way to sell or let property.

Purplebricks' advertising and marketing strategy, like its service offering, is differentiated from that of the traditional estate agents which tend to revolve around extensive leafleting, local newspaper and magazine advertising and some PPC. Online competitors have used a mixture of PR and PPC, with some limited experimentation with television and radio. In contrast, the Company's marketing strategy has been built around a model that is well established by "dot.com" brands such as Comparethemarket, Admiral Insurance, Confused.com and Expedia. This involves a consistent presence on media such as television that is used to drive website traffic and is complemented by extensive use of PPC to reduce the risk that this traffic is lost to competitors. Purplebricks is increasing its volume of Google™ search traffic when compared to both traditional high street estate agents and online competitors.

Purplebricks' strategy is to use television on a daily basis to create and drive awareness and to use local and national radio, albeit to a lesser extent than television, to broaden its coverage and help reinforce the regionally focussed nature of its business.

With online search marketing, Purplebricks' aim is to achieve top positions in searches for brand terms and also 'top 5' positions for the main generic terms (for example a search for estate agents in a particular geographical locality). Purplebricks also uses PR with a view to increasing trust and credibility, which is further assisted by the number of 'Sold' and 'Let' boards, the number of 5 star reviews on Trustpilot and direct recommendations.

Core to the Company's message to prospective customers is the appeal of making significant cost savings compared to the high street model. However, the Company is keen not to place over-reliance on cost savings which can overlook other factors including quality of service, convenience and the more emotional elements which can form the basis of brand appeal. The Company aims to create emotional differentiation, for example through 'the brothers', the main characters in the television and radio commercials and the main visual on the website's homepage. Their characters, inspired by the real Bruce brothers, aim to create empathy and warmth in their communication and set the tone for the Purplebricks brand.

Purplebricks therefore aims to make its advertising and brand communications more engaging, making people more receptive to the other selling messages including pricing.

The Directors expect that the Company's advertising and marketing strategy will evolve as the business develops further. However, it is intended that this will continue to be focussed on a combination of building brand awareness and market share.

## Fee based model

The Company has a very transparent and clear pricing strategy.

Purplebricks charges £798 (inc. VAT) for a sale anywhere in the UK other than certain defined postcodes in London where there is a charge of £1,158 (inc. VAT). There are additional charges if the customer wants Purplebricks to undertake the viewings on their behalf, if they require an energy performance certificate or a Rightmove premium display. The average Purplebricks' fee (including other sources of income referred to below) is £1,080 (inc. VAT).

The customer can choose to pay upfront on instruction or they can delay the payment (at no additional cost) until the earlier of the sale of the property or ten months from instruction. The deferred payment is financed by Close Brothers and is available to every customer (other than anyone who is bankrupt) without any form of credit check or imprint on the customer's credit history. Purplebricks is paid by Close Brothers the next working day. If a customer wishes to defer payment, they are required to use Purplebricks' conveyancing services for the sale.

The Company's other additional sources of revenue currently comprise fees from conveyancing, mortgage referrals and insurance:

- conveyancing is undertaken by Premier Property Lawyers and a number of panel firms managed by them. A commission is paid for each transaction (one commission for a sale and one commission for a purchase);
- the Company is an approved introducer for mortgage and insurance purposes to Mortgage Advice Bureau (**MAB**). A commission is received by Purplebricks for the first mortgage completed from a customer lead, and a further reduced commission is received for each subsequent completed mortgage from the same customer lead. This commission is not subject to clawback;
- as regards insurance, the Company also receives a percentage of the annual premium payable in relation to any completed general insurance contract, and on any renewal, where the customer lead was referred to MAB by the Company. However, such commission is subject to a proportionate clawback should the policy be cancelled.

Further, Purplebricks also offers a bespoke insurance policy with Homeserve, where buyers can secure the benefit of cover paid for by the seller. For each completed transaction Purplebricks receives a fixed commission from Homeserve. In addition, Purplebricks benefits from additional variable commission from broadband providers where buyers elect to maintain their existing broadband service provider.

## LPEs

Purplebricks either employs the LPEs directly (approximately 11 per cent. of LPEs) or they (being the remaining 89 per cent.) are granted a licence. As at 18 November 2015 the Company had 165 LPEs. LPEs are paid a fixed fee for each instruction and will also receive additional income for the sale of other products and services.

The Company has a stringent recruitment, vetting and training programme. LPEs go through a two stage recruitment and vetting process before they are considered acceptable to either offer employment or to become a licensee subject always to successful completion of the Company's training programme. The training is an intense two week programme designed to ensure that the individual has both the discipline and integrity to represent the Company's brand and to ensure that they are equipped with the necessary knowledge of the products and services offered to customers and how best to represent them in a clear and transparent manner.

The Company's recruitment strategy has proved successful to date, with management identifying experienced, professional estate agents who have a number of years' experience (generally five years or more) of valuing properties in their local area. Purplebricks considers that its model appeals to experienced individual estate agents who wish to run their own business but cannot necessarily afford to finance a new business. The Purplebricks model affords the potential for the LPE to build their own profitable business by utilising the software, advertising and other infrastructure of the Company.

Importantly to the LPEs, and subject to the same stringent vetting and training process, an LPE can employ or contract sub-licensees to assist their growth within their region. To date 55 LPEs have already engaged sub licensees in their business.

Accordingly, as they grow their business, increasing their employees and sub licensees an LPE can build capital value in their business as part of their licence agreement with Purplebricks. The LPE can, subject to the terms of their agreement which includes an approval by Purplebricks, sell their licence to an acceptable third party. The LPE is therefore motivated, engaged and rewarded for building their business within a culture of personal and professional integrity.

The Directors believe that the culture of Purplebricks, which is focused on providing excellent customer service and growing the business throughout the UK, has been developed through securing and maintaining high quality LPEs and a wider team of motivated people to deliver Purplebricks' products and services. In turn, Purplebricks also provides ongoing training and support for LPEs and other employees to maintain a high professional standards and continuing personal development.

Purplebricks receives many approaches about becoming a licensee or employee and the LPEs and their sub-licensees introduce people they know or who they have worked with that they consider have all the ingredients to represent the brand and are capable of satisfying the stringent vetting criteria and training process. As a result, the Directors are confident of the Company's ability to continue to scale its business through growth in numbers of LPEs.

### **Software platform**

Purplebricks has designed, built and developed its technology in-house with a specialist team of designers, developers, testers, quality assurance experts and infrastructure technicians who have considerable previous experience in the private and public sector.

The Directors believe that the platform developed by the Company is unique in a number of respects and helps to deliver a high quality service to customers. The platform enables the process of selling, buying and letting to be more convenient, transparent and cost effective without placing reliance on experience, quality and reliability of people in high street estate agency offices. With approximately 70 per cent. of Purplebricks' traffic occurring when traditional high street estate agents are closed, the platform also ensures that valuations can be booked, viewings arranged, offers made and sales negotiated and agreed 24 hours a day and not just during office hours.

It is the Company's experience that customers want to have a high degree of control over the process, wishing to know what is happening with their marketing and sale and to have the flexibility to access information at all times of the day and night. The platform enables customers to understand how effective their marketing is and they can see performance reports, know about viewings, feedback and offers in the knowledge that their LPE and his/her colleagues and a team of Central Property Experts are also available to talk about the process. Sellers and buyers can safely and securely communicate through the platform, viewers can ask questions of the seller or, if they wish, communicate entirely via Purplebricks. The model provides customers with instant options and choices and the platform can be accessed from a wide range of modern devices with internet access.

The platform has been designed and built to monitor and ensure delivery of high quality customer service. There are a number of performance measures, relating to completion and delivery of tasks, that are created within the platform. Each LPE is required to adhere to such standards, which are represented as tasks and reminders. LPEs are monitored daily by area directors to ensure the maintenance of a high level of customer service. The LPE has their own area of the platform to enable them to prepare and amend valuation reports and property adverts, undertake marketing reviews, assist and support customers and conduct pre-calls.

From inception, the software was designed by the Company to confer a competitive advantage for the Company's business, which the Directors consider is difficult to replicate in the short to medium term. The software has taken Purplebricks four years to build and develop and the Company continues to enhance and update it. All of the intellectual property in the platform built by Purplebricks is owned by the Company.

The Company has engaged Microsoft Azure, which is a cloud based service, to provide end-to-end IT support for the Company. There are active disaster recovery sites in place in Amsterdam and Dublin. Purplebricks processes personal data, some of which may be sensitive, as part of its business which is stored in encrypted files. Purplebricks relies on third-party encryption and authentication technology with a view to enabling the secure transmission of information from its customers, such as credit or debit card numbers. As at the date of this document, Purplebricks has not experienced any online security breaches or service disruptions due to hacking or vandalism and takes active measures to prevent the occurrence of such breaches and disruptions.

### Support services

In addition to the LPEs and the platform that enables access 24 hours a day, customers of Purplebricks can speak to a Central Property Expert at any time to help and support the customer with their enquiries. These experts have become an important part of the customer centric service offered by Purplebricks. The team are trained, managed and supported by a dedicated Customer Services Manager.

Following the identification of a buyer, Purplebricks' post sales support team will assist with enquiries and issues in accordance with its post sales charter.

### Key strengths and competitive advantages

While the competitive environment in which Purplebricks operates will continue to evolve, Purplebricks has a number of key strengths which may be difficult for new entrants to replicate.

- **First mover advantage:** Purplebricks considers that its hybrid business model is differentiated from other competitor offerings currently in the market. The model combines the quality of the Purplebricks platform, national LPE service offering, management expertise and the injection of significant investment to date. The Directors believe that the Company has a first mover advantage which additional funding under the Placing should enable it to further benefit from.
- **Marketing strategy:** Purplebricks has, since inception, focussed on a structured advertising, marketing and brand strategy, investing significant amounts of funds raised to date on marketing. The Company considers it currently has a higher proportionate spend on advertising than many of its competitor brands and is building a strong brand awareness through its marketing strategy.
- **Market share momentum:** Rightmove data shows Purplebricks gaining market share at the expense of longer established online agents. Purplebricks has the largest market share in the UK online sector. The Directors consider that Purplebricks is becoming a go to brand underpinned by its service quality, ability to sell property quickly and increasingly strong brand.
- **Strong fundamentals in place:** The model combines the quality of the LPEs, first class technology and with its software platform and a high level of customer service (as evidenced by the Trustpilot results referred to above) in a market which Purplebricks considers is ripe for disruption. Purplebricks' pricing is significantly lower than that of traditional estate agents which operate on a commission based model, enabling considerable cost savings for customers. These factors all combine to support Purplebricks' objectives of superior customer service and ensuring, so far as possible, that properties are sold more quickly and effectively for the best possible price.
- **Strong management team:** The founders and the executive team have a number of years of industry experience at all levels and initially invested their own money to put in place strong foundations to launch the Purplebricks proposition. Michael Bruce has run a high street estate agency group and therefore has substantial knowledge of the sector and has steered Purplebricks from an unknown brand to a national business with strong, focused and dedicated management. The founders have sought to identify and recruit high quality people across the Company's key business areas, including marketing, sales, customer service, management and technology. The main Board consists of a strong executive and non-executive team who have a mix of industry, business, financial and public company experience. The wider Purplebricks team is engaged, motivated and excited about the opportunity to grow and develop the business. Further details of the Board are set out below under the heading "Directors".



## Summary Financial Information

The financial information set out below has been extracted without material adjustment from the historical financial information on the Group for the three years ended 30 April 2013, 2014 and 2015 and the unaudited five month interim financial information on the Group for the periods ended 30 September 2014 and 2015:

	<i>Year to 30 April 2013 £,000</i>	<i>Year to 30 April 2014 £,000</i>	<i>Year to 30 April 2015 £,000</i>	<i>5 months ended 30 September 2014 £,000</i>	<i>5 months ended 30 September 2015 £,000</i>
<b>Revenue</b>	—	12	3,394	598	5,733
Year on year growth			28,533.2%		858%
<b>Gross profit/(loss)</b>	—	(130)	2,011	310	3,223
Year on year growth	—	—	1,650%	—	939%
Margin	—	(1,094.3%)	59.2%	51.9%	56.2%
<b>Contribution before media costs</b>	(520)	(1,619)	(1,898)	(1,242)	314
<b>Media costs</b>	—	(708)	(3,473)	(792)	(5,165)
<b>EBITDA</b>	(520)	(2,327)	(5,371)	(2,034)	(4,851)
<b>Operating profit / (loss)</b>	(520)	(2,333)	(5,427)	(2,055)	(4,897)

## Current Trading and Prospects

Since 30 April 2015, the Company has continued to see an encouraging growth in recognition of its brand and service offering with consistent progress across its key performance indicators in numbers of valuations and instructions and market share. In September 2015, the Company's run rate of fee paying customers reached 1,660, around eight times the level of the prior year. Trading since 30 September 2015 to date is in line with the Directors' expectations.

In November 2015, the Company completed its national footprint with its launch into Scotland. The Company expects to build on its progress to date through the remainder of the current financial year ending 30 April 2016 by filling out its national footprint through increasing numbers of LPEs, by introducing new technological features for its software, including an App to offer customers more choice and convenience, and through the evolution of its advertising and marketing strategy to raise brand awareness.

The Company's aims are to continue to build its lettings business, grow its mortgage business and optimise the significant and growing traffic visiting its website. Purplebricks approaches the key trading period of the first quarter of the new calendar year with confidence and, in the Directors' opinion, with the Purplebricks hybrid model set to continue to change the way that houses are sold and let.

## Dividend Policy

The Company is at a relatively early stage of operation and the Directors intend to re-invest a significant portion of the Company's earnings to facilitate plans for further growth. Accordingly, whilst the Directors do not expect to declare any dividend in respect of the current financial year ending on 30 April 2016, it is the Board's intention, should the Company 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 will be at the discretion of the Directors and the Board will not exercise such discretion where it is not commercially prudent to do so taking into account the policy set out above.

Whilst the Board considers dividends as the primary method of returning capital to Shareholders, it may, at its discretion, consider share repurchases, when advantageous to Shareholders and where permissible.

The Company may revise its dividend policy from time to time.

## Regulatory and legal background

The Company's business is subject to or affected by certain regulatory and legal requirements in the UK.

### *Principal legislation*

There are five principal groups of legislation with which the Company is required to comply in carrying on its estate agency business:

- (a) the Estate Agents Act 1979 (**EAA**), the Estate Agents (Provision of Information) Regulations 1991 (**EAIR**) and the Consumer Contracts (Information, Cancellation and Additional Charges) Regulations 2013 (**CCR**), which require businesses within their scope to be transparent in the handling of information about offers on properties and to disclose any self-interest or the interest of any third party who may benefit from a sale. The EEA further requires estate agents to belong to an approved estate agents redress scheme;
- (b) the Consumer Protection from Unfair Trading Regulations 2008 (**CPUTRs**) (implementing the Unfair Commercial Practices Directive (2005/29/EC)), which prohibit the unfair treatment of consumers through misleading actions, misleading omissions or aggressive sales and/or marketing practices, and the Business Protection from Misleading Marketing Regulations 2008 (**BPMMRs**), which deal with business-to-business advertising and prohibit misleading advertising and regulate comparative advertising;
- (c) the Consumer Rights Act 2015 (**CRA**), which seeks to protect consumers against unfair standard terms in contracts with suppliers of goods or services;
- (d) the Housing Act 2004 (**HA**), which requires landlords (and estate agents acting on their behalf) to protect a tenant's deposit by holding the deposit in a tenancy deposit scheme; and
- (e) the Money Laundering Regulations 2007 (**MLRs**) and the Proceeds of Crime Act 2002 (**POCA**) which each regulate money laundering and financial crime.

In addition to the legislation noted above, the Company is required to comply with provisions, regulations, rules and/or requirements as set down in, or made under, other relevant UK (primary and secondary) and (directly effective) European legislation, including the Bribery Act 2010, Data Protection Act 1998 and the Unfair Contract Terms Act 1977.

### *The EAA, EAIR and CCR*

The EAA and EAIR require persons carrying on "estate agency work", among other things, to provide unambiguous, accurate information and to not publish misleading statements. Persons within the scope of these instruments must provide information to prospective clients in relation to fees, charges and other forms of remuneration and when they will be payable, as well as the meaning of certain terms of business before entering into a contract. They should also ensure that an accurate description of the client's liability is provided in terms that the client understands. In addition, the CCR requires consumers to be provided information in relation to the identity of the estate agent, its complaints handling procedures, the main characteristics of its services and cancellation rights in a durable medium. The EEA also requires estate agents to be members of an estate agents redress scheme approved by Powys County Council and to provide information regarding its membership of the scheme to its customers. This membership requirement is intended to facilitate consumers' efforts to resolve disputes with estate agents, by allowing them to approach the ombudsman of the scheme in relation to their disputes. The Company is a member of The Property Ombudsman and is also certified under the TSI Consumer Codes Approval Scheme.

Failure to comply with the obligations set out in the EAA and EAIR in relation to an estate agent contract may result in the estate agent being unable to enforce that contract.

### *The CPUTRs and the BPMMRs*

The CPUTRs seek to prevent unfair, misleading or aggressive commercial practices in dealing with customers. While the CPUTRs include a list of per se unfair practices, they also set out broader general principles which are required to be taken into consideration by all traders, including estate agents. Agents have to consider the principles set out in the CPUTRs and how these can be applied when engaging with consumers. As amended by the Consumer Protection (Amendment) Regulations 2014, the CPUTRs also

provide a right of redress for customers who are misled or intimidated into entering into a contract with, or making a payment to, a trader; however, this is only in relation to assured tenancies and leases under which accommodation is let as holiday accommodation and is not in relation to residential sales.

The BPMMRs are concerned with advertising between businesses and prohibit misleading advertising, and regulate comparative advertising.

The Local Authority Trading Standards Service and the Department of Enterprise, Trade and Investment in Northern Ireland enforce the CPUTRs and the BPMMRs and the Competition and Markets Authority is also empowered to enforce these instruments. Breach of these regulations may result in civil and/or criminal sanction.

#### *The CRA*

As with the CPUTRs, the CRA has a broad application as it applies to all businesses that deal with consumers. Among other obligations, the CRA requires contractual terms in contracts to be fair, and to be expressed in plain language. A contractual term is 'unfair' if it puts the consumer at a disadvantage, by limiting the consumer's rights or disproportionately increasing their obligations as compared to the trader's rights and obligations. The CRA requires that a written term of a consumer contract must be expressed in plain and intelligible language and be legible so that consumers are not at a commercial disadvantage because they are confused by the meaning of the term. Accordingly, estate agency businesses must ensure that their standard contract terms deal fairly and openly with consumers, and that consumers' legitimate commercial interests are taken into account.

#### *The HA and tenants' deposits*

The HA requires landlords, and estate agents acting on behalf of landlords, to protect a tenant's deposit (if a deposit is paid by a tenant on the commencement of a shorthold tenancy) by holding the deposit in a tenancy deposit scheme (TDS). In order to safeguard the tenant's interests, the landlord (or estate agent) must protect the tenant's deposit through either a custodial TDS or an insurance TDS. A custodial TDS requires the landlord (or estate agent) to place the deposit into a separately designated account within 30 days of receipt of the deposit. The Company uses custodial TDS arrangements in its business. An insurance TDS enables a landlord (or estate agent) to retain possession of the deposit, but the landlord (or estate agent) must secure it by paying an insurance premium to the scheme administrator who will use the premiums to reimburse the tenant in the event that the landlord misappropriates the deposit. Generic information about the type of TDS chosen and specific information about the deposit the identity of the landlord, and the tenancy should also be provided.

#### *The MLRs and POCA*

Businesses which carry out estate agency work are also within the scope of the MLRs and the relevant provisions of POCA. Under the MLRs and POCA, estate agents are required to safeguard against and report any suspicious activities relating to money laundering and other financial crime.

#### ***Other relevant developments***

The Company's activities and prospects may also be affected by the following legal and regulatory developments.

#### ***Mortgage Market Review***

Following the Mortgage Market Review conducted by the FCA, it has amended the Mortgages and Home Finance Conduct of Business sourcebook. These amendments took effect on 26 April 2014. Key changes include greater emphasis on standards relating to affordability assessments by lenders, inclusion of all interactive sales within the 'advised' sales regime subject to certain exceptions, changes to disclosure requirements to facilitate customers' understanding of the relative merits of different service providers, clarification of administrative charges that can be imposed upon customers in relation to those customers' accounts being in arrears, and greater flexibility in dealing with high net worth customers.

### ***Directive on credit agreements relating to residential property***

The EU Mortgage Credit Directive took effect on 28 February 2014, and is required to be implemented in member states by 21 March 2016. The directive is intended to harmonise regulatory standards for consumer information and protection in relation to mortgages across the EU. In the UK the Directive has been given effect through the Mortgage Credit Directive Instrument 2015, and firms have been able to choose to implement its provisions from 21 September 2015.

The changes made by the Mortgage Credit Directive Instrument 2015 include expanding the mortgage regulatory powers of the FCA to include buy-to-let mortgages and secondary mortgages, the introduction of a new product disclosure document for mortgages (the European standard information sheet), and the alignment of FCA rules with those set out in the Mortgage Credit Directive in relation to the calculation method for annual percentage rates of change.

The final implementation date has yet to be confirmed.

### **Directors**

Brief biographies of the Directors are set out below. Paragraph 5 of Part V of this document contains further details of current and past directorships and certain other important information regarding the Directors.

#### ***Non-Executive Chairman – Paul Pindar***

Paul joined Capita plc in 1987, initially as Finance Director, then Managing Director in 1991 and Chief Executive in 1999. He was the third-longest serving FTSE 100 CEO when he stood down in 2014.

He joined Capita after advising on the £330,000 management buyout (MBO) while working for 3i Group plc. When he joined Capita, it had 33 employees and annual revenue of £1.3 million. When he left the business in February 2014, Capita had more than 62,000 employees and a market capitalisation of £7.5 billion.

Since July 2012, Paul has served as Chairman of Integrated Dental Holdings, the UK's largest chain of dental surgeries, which is owned by Carlyle.

Since June 2014 he has served as Chairman of Independent Clinical Services following its acquisition by TowerBrook. He backed the MBO of International Travel Connections, a luxury travel business, and became Chairman in August 2014, a role he continues in.

Paul has also been a non-executive director of retailer Debenhams Plc, Chairman of the NSPCC's Corporate Development Board and Chairman of Great Ormond Street Hospital's Corporate Partnerships Board.

Paul was also an early investor in Purplebricks.

#### ***Founder & Chief Executive Officer – Michael Bruce***

Michael has been the driving force behind the development of Purplebricks alongside his brother Kenny. He is a qualified solicitor who has owned and run his own law firms before acquiring Burchell Edwards Estate Agents in 2006. The business was grown to include estate agency, lettings, mortgages and their own dedicated law firm. Michael was Chief Executive until 2010 whereupon he became Chairman of the business. The business, including the law firm, was sold to Connells Group (part of Skipton Building Society) in November 2011 as a result of Michael and Kenny Bruce, his brother, wishing to pursue the Purplebricks model.

As founder of the business and initial major investor, Michael has been the Chief Executive Officer of Purplebricks since its inception, working alongside Kenny who, as Sales Director, heads the Company's sales efforts.



### ***Chief Financial Officer – Neil Cartwright***

Neil joined Purplebricks in January 2015 from Capita Plc, having been Chief Financial Officer at a division of Capita Plc for eight years. A Chartered Accountant, Neil has previously held a number of senior financial positions at Anite Plc, Transco and Albright & Wilson Plc. In August 1999 he was involved in the AIM admission of IFTE Plc and a year later the reverse takeover of Symtron Systems Inc based in Fairlawn, New Jersey.

### ***Senior Non-Executive Director – Nick Discombe***

Nick acts as Chairman/advisor with portfolio companies for a small number of private equity or growth capital backed businesses around the world. His current commitments include portfolio companies for Hg Capital and Towergate.

Nick's last executive position was as Chief Executive Officer of Witness Systems Inc (NASDAQ – WITS) which was sold for just over US\$1 billion in cash in June 2007. Since this time, he has, as Chairman, worked with seven companies leading them to successful exits.

Prior to his role at Witness Systems, Nick spent five years with Apax backed Eyretel which in 2003 was merged with Witness Systems. At Eyretel as Chief Executive Officer, Nick led the expansion of the global organisation and in 2000 the successful initial public offering on the London Stock Exchange.

He has been an investor in Purplebricks since early 2014. Nick acted as chairman of Purplebricks from October 2014 but, with effect from Admission, he will become the Senior Non-Executive Director of the Company.

### ***Independent Non-Executive Director – William Whitehorn***

Will is a highly experienced director. For many years he held a number of senior board roles within the Virgin Group. For over 20 years he was the Brand Development and Corporate Affairs Director and helped grow the Virgin brand globally, acting as spokesman for Sir Richard Branson and co-ordinating branding, marketing PR and current affairs across the whole group of investments and businesses. He was also President of Virgin Galactic for nearly five years. He is currently Chairman of Speed Communications (a PR company), a Non-Executive Director of Stagecoach Group Plc and Chairman of the Transport Systems Catapult.

He has been an investor in and Non-Executive Director of Purplebricks since March 2013.

### ***Senior Management***

The Board is supported by an experienced senior management team. The team includes

- Kenny Bruce (*Sales Director*)
- Matthew Farrow (*Finance Director*)
- Joby Russell (*Chief Marketing Officer*)
- James Kydd (*Advertising and Marketing Director*)
- David Kavanagh (*Chief Technology Officer*)
- David Shepherd (*Technical Director*)
- Andrew Vass (*Head of Training and Development*)
- Sarah Downes (*Head of Customer Experience*)
- Richard Jacques (*Lettings Director*)

## **Corporate Governance**

The Board is committed to achieving high standards of corporate governance, integrity and business ethics. Under the AIM Rules the Company is not required to comply with the provisions of the new edition of UK Corporate Governance Code issued by the Financial Reporting Council in 2014 (the **Code**). Whilst the Code has not been applied in full, the Board has taken into consideration the QCA Corporate Governance Code for Small and Mid-Size Quoted Companies produced by the Quoted Companies Alliance, and taken steps to apply the principles of the Code in so far as it can be applied practically, given the size of the Company and the nature of its operations.

The Board intends to appoint an independent Non-Executive Director following Admission to bring expertise to, and to support, the Board as the Company continues to expand its operations.

The Board has established an audit committee (the **Audit Committee**), a remuneration committee (the **Remuneration Committee**) and a nomination committee (the **Nomination Committee**).

The Audit Committee will be chaired by Paul Pindar. Its other member will be Nick Discombe. Neil Cartwright will be entitled to attend and observe meetings of the Audit Committee. The Audit Committee will have primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Company is properly measured and reported on. It will receive and review reports from the Company's management and auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Company. The Audit Committee will meet at least three times a year and will have unrestricted access to the Company's auditors.

The Remuneration Committee will be chaired by Nick Discombe. Its other member will be William Whitehorn. 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 employment. The Remuneration Committee will also make recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time. The remuneration and terms and conditions of appointment of the Non-executive Directors of the Company will be set by the Board.

The Nomination Committee will be chaired by Paul Pindar. Its other member will be Nick Discombe. Michael Bruce will be entitled to attend and observe meetings of that committee. The Nomination Committee will assist the Board in discharging its responsibilities relating to the composition of the Board, performance of Board members, induction of new directors, appointment of committee members and succession planning for senior management. The Nomination Committee is responsible for evaluating the balance of skills, knowledge, diversity and experience on the Board, the size, structure and composition of the Board, retirements and appointments of additional and replacement directors and makes appropriate recommendations to the Board on such matters. The Nomination Committee prepares a description of the role and capabilities required for a particular appointment. The Nomination Committee will meet formally at least twice a year and otherwise as required.

## **Share Dealing Code**

The Company has adopted, which will take effect from Admission, a share dealing code for Directors and applicable employees (within the meaning given in the AIM Rules) of the Company for the purpose of ensuring compliance by such persons with the provisions of the AIM Rules relating to dealings in the Company's securities (including, in particular, dealing during close periods in accordance with Rule 21 of the AIM Rules). The Directors consider that this share dealing code is appropriate for a company whose shares are admitted to trading on AIM.

## **Reasons for the Placing and Admission**

The Company is proposing to issue 25,000,000 new Ordinary Shares pursuant to the Placing, as well as certain of the Selling Shareholders placing 33,113,216 Ordinary Shares.

Purplebricks is rapidly raising its profile and reputation in its industry and amongst consumers. The Directors believe that the Placing and Admission will further raise the Company's profile and brand awareness, enabling the business to scale more quickly and fill out its national footprint. The proceeds of the Placing for the Company will be used to drive its advertising and marketing strategy and to continue investment in the Company's technology and software platform that the Directors believe, in combination, should enhance Purplebricks' market position.

The Directors believe that Admission should also improve further the Company's ability to recruit, retain and incentivise key employees and it enables Directors and senior management of the Company to realise part of their investments in the Company, whilst still retaining overall in excess of 79.4 per cent. of their current individual shareholdings.

### **Details of the Placing and Admission**

In relation to the Placing, the Company, the Directors (in their capacities as directors and, where applicable, Selling Shareholders), Kenny Bruce and Zeus Capital have entered into the Placing Agreement and the other Selling Shareholders have each entered into Selling Shareholders Agreements with Zeus Capital. Pursuant to the Placing Agreement and the Selling Shareholders Agreements and subject to certain conditions, Zeus Capital has conditionally agreed to use its reasonable endeavours to procure placees and purchasers for the Placing Shares to be issued and sold under the Placing. Following Admission, the Placing Shares will represent approximately 24.2 per cent. of the Enlarged Ordinary Share Capital.

The Placing will raise approximately £25.0 million (before expenses) for the Company and will raise approximately £33.1 million (before expenses) for the Selling Shareholders.

The Placing Agreement and the Selling Shareholders Agreements are each conditional, *inter alia*, upon Admission having become effective by not later than 8.00 a.m. on 17 December 2015 or such later time and date, being not later than 8.00 a.m. on 15 January 2016, as the Company and Zeus Capital shall agree.

Further details of the Placing Agreement and the Selling Shareholders Agreements are set out in paragraphs 9.1 and 9.2 of Part V of this document.

### **Lock-In Arrangements**

Each of the Directors, Kenny Bruce, certain of their connected persons, Nortrust Nominees Limited (as nominee for Woodford), Matthew Farrow, David Shepherd and James Kydd (together the **Covenantors**), holding, in aggregate, 64.1 per cent. of the Ordinary Shares (prior to Admission) and approximately 57.4 per cent. of the Ordinary Shares (post Admission), has undertaken to Zeus Capital and/or the Company in accordance with Rule 7 of the AIM Rules or otherwise, subject to certain limited exceptions including transfers to connected persons and disposals by way of acceptance of a recommended offer of the entire issued share capital of the Company, not to dispose of the Ordinary Shares held by each of them (and their connected persons) on Admission (the **Restricted Shares**) or any other shares which may accrue to them as a result of their holding of Ordinary Shares (or any interest in them or in respect of them) at any time from Admission and the expiry of one year from Admission (the **Lock-In Period**) without the prior written consent of Zeus Capital and/or the Company.

Furthermore, each of the Covenantors has also undertaken to Zeus Capital and the Company not to dispose of the Restricted Shares for the period of 12 months following the expiry of the Lock-In Period otherwise than through Zeus Capital provided that Zeus Capital shall continue to be the Company's broker and that the sale is effected on standard market terms and conditions.

Lock-In Agreements have also been entered into with the other Shareholders together holding 20.6 per cent. of the Ordinary Shares (prior to Admission) containing similar undertakings save that such other Shareholders have the benefit for certain additional exemptions from the restriction on sale and are subject to a lock-in period of six months from the date of Admission. Thereafter, and for a further period of six months such other Shareholders shall not dispose of the Restricted Shares otherwise than through Zeus Capital provided that Zeus Capital shall continue to be the Company's broker and that the sale is effected on standard market terms and conditions.

Further details of these arrangements are set out in paragraph 9.3 of Part V of this document.

### **Share Incentive Arrangements**

The Directors believe that the success of the Company will depend to a significant degree on the future performance of the Company's senior management team. The Directors also recognise the importance of ensuring that all LPEs are well motivated and identify closely with the success of the Company.

It is the Company's intention to adopt share incentive schemes shortly following Admission that provide the Directors with the authority to grant options over Ordinary Shares that represent in aggregate up to 10 per cent. of the issued share capital of the Company from time to time.

Adoption of such schemes does not require the approval of Shareholders; however, the exemptions that allow Directors to issue Ordinary Shares and grant options to employees free from pre-emption and without seeking Shareholder approval, will not apply to the issue of Ordinary Shares and grant of options to licenced LPEs. In addition to the authorities referred to in paragraph 2.9 of Part V of this document, the authority of Shareholders has been obtained for the issue of up to 24,025,915 Ordinary Shares, or grant of options over such Ordinary Shares, and for the disapplication of pre-emption rights in connection with such allotment. These authorities will be used to grant options over Ordinary Shares to such licenced LPEs and therefore align the interests of the licenced LPEs with the interests of the Company, its Shareholders and its incentivised employees.

Details of the schemes will be announced by the Company on adoption.

Details of approved and unapproved options granted to the Directors and employees prior to Admission are set out in paragraph 6.2 of Part V of this document.

### **City Code**

The Company is incorporated in the UK and its Ordinary Shares will be admitted to trading on AIM. Accordingly, the City Code applies to the Company.

Under Rule 9 of the City Code (**Rule 9**), any person who acquires an interest in shares (as defined in the City Code), whether by a series of transactions over a period of time or not, which (taken together with shares in which persons acting in concert (as defined in the City Code) with him) are interested in aggregate, carry 30 per cent. or more of the voting rights of a company which is subject to the City Code, that person is normally required by the Panel to make a general offer to all of the remaining shareholders to acquire their shares.

Similarly, when 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 such a company but does not hold shares carrying more than 50 per cent. of such voting rights, a general offer will normally be required if any further interests in shares are acquired by any such person which increases the percentage of shares carrying voting rights in which he is interested.

An offer under Rule 9 must be in cash or be accompanied by a cash alternative and at the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in shares of a company during the 12 months prior to the announcement of the offer. Under the City Code, a concert party arises where persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control (as defined below) of a company or to frustrate the successful outcome of an offer for a company. 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.

### **Taxation**

Information regarding taxation in relation to the Placing and Admission is set out in paragraph 8 in Part V of this document. If you are in any doubt as to your tax position you should consult your own independent financial adviser immediately.

**Admission, Settlement and Dealings**

Application has been made to the London Stock Exchange for all of the Enlarged Ordinary Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence on the London Stock Exchange at 8.00 a.m. on 17 December 2015.

No temporary documents of title will be issued. All documents sent by or to a placee, or at his direction, will be sent through the post at the placee's risk. Pending the despatch of definitive share certificates, instruments of transfer will be certified against the register of members of the Company.

The Company has applied for the Enlarged Ordinary Share Capital to be admitted to CREST and it is expected that the Enlarged Ordinary Share Capital will be so admitted and accordingly enabled for settlement in CREST on the date of Admission. Accordingly, settlement of transactions in Ordinary Shares following Admission may take place within the CREST system if any individual Shareholder so wishes provided such person is a system member (as defined in the CREST Regulations) in relation to CREST.

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument in accordance with the CREST Regulations. The Articles permit the holding of Ordinary Shares in uncertificated form in accordance with the CREST Regulations. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

**Further Information**

Your attention is drawn to Part II of this document which contains certain risk factors relating to any investment in the Company and to Parts III to V of this document which contain further additional information on the Company.



## PART II

### RISK FACTORS

Any investment in the Ordinary Shares is subject to a number of risks. Before making an investment decision with respect to the Ordinary Shares, prospective investors should carefully consider the risks associated with an investment in the Company, the Company's business and the industry in which the Company operates, in addition to all of the other information set out in this document and, in particular, those risks described below.

If any of the circumstances identified in the risk factors were to materialise, the Company's business, financial condition, results of operations and future prospects could be adversely affected and investors may lose all or part of their investment. Certain risks of which the Directors are aware at the date of this document and which they consider material to prospective investors are set out in the risk factors below; however, further risks and uncertainties relating to the Company which are not currently known to the Directors, or that the Directors do not currently deem material, may also have an adverse effect on the Company's business, financial condition, results of operations and future prospects. If this occurs, the price of the Ordinary Shares may decline and investors may lose all or part of their investment. An investment in the Company may not be suitable for all recipients of this document. Potential investors are therefore strongly recommended to consult an independent financial adviser authorised under FSMA and who specialises in advising upon the acquisition of shares and other securities before making a decision to invest.

#### **Risks Relating to the Company's Business**

##### ***The Company's market share and business position may be adversely affected by economic, political and market factors beyond the Company's control***

The market in which the Company operates is directly affected by many national and international factors that are beyond its control. Any of the following factors, among others, may cause a substantial decline in the market in which the Company offers its services: economic, stock market and political conditions, including UK monetary policy; the level and volatility of the UK property market; concerns about inflation; changes in consumer confidence levels; legislative and regulatory changes including impact on the mortgage market as a result of the MMR; natural disasters and epidemics; and concerns about terrorism and war. In recent years markets have been affected by the global financial crisis. Worsening or volatile economic conditions could impact consumer confidence and the property market and hence the demand for the Company's services.

Uncertain economic prospects or a decline in the financial and/or property markets could:

- (a) adversely affect the performance of the Company and its reputation;
- (b) result in a deterioration of the Company's competitive position and a reduction in the overall level of its business; and
- (c) lead to a failure to win new business.

Accordingly, any of these factors could have a material adverse effect on the Company's business, sales, results of operations, financial condition and growth prospects.

##### ***Limited financial history and revenue and profitability***

The Company has a very limited historical financial track record and whilst it has achieved substantial recent growth in revenues, there have been significant operating cash outflows and it has not yet achieved a profit on its operations as described in detail in Part I (Information on the Company), Part III (Historical Financial Information on the Company) and Part IV (Unaudited Interim Financial Information on the Company). There can be no assurance that the Company will be able to achieve or sustain revenue growth and achieve or sustain profitability in the future. If the Company is unable to achieve or sustain profitability, the business could be severely harmed. Further, the Company's operating results may

fluctuate as a result of a number of factors, many of which are beyond its control. If the Company does not achieve revenue growth and/or profitability, it may require additional financing, which may not be available.

***The Company is at an early stage of development and a failure to implement the Company's strategy may have an adverse impact on its business, financial and other conditions, profitability and results of operations***

There is no guarantee that the Company will be successful in any of its growth strategies and initiatives in the UK. The United Kingdom estate agency market is competitive and the Company will face competition in this market from other parties operating in such markets, including those parties who have larger capacity and scale than the Company. Furthermore, the Company may experience constraints in its ability to expand, such as an inability to recruit sufficient numbers or quality of LPEs. There is therefore no assurance that the Company will be successful in implementing its strategy.

***Volume of property transactions***

Any reduction in sales transactions as a result of reductions in volumes in the residential housing market could have a material adverse effect on the Company's business, prospects, results of operations and financial condition.

Changes in Government policy, and any laws or regulations implementing any policy changes, which result in increased costs involved in selling or letting residential property, may reduce volumes of sales and/or lettings transactions. Any increase in rates of stamp duty land tax, or the introduction of any new tax based on the ownership of high value properties may reduce volumes and/or values of property sales transactions.

Any future changes in Government policy, and any laws or regulations implementing any future policy changes, which have the effect of reducing volumes and/or values of residential property sales or lettings transactions could have a material adverse effect on the Company's business, prospects, results of operations and financial condition.

***Reliance on portals and other third parties***

Purplebricks is not in competition with property portals such as Rightmove, Zoopla and Prime Location and its properties are listed on these sites. However, the estate agents industry has become increasingly more reliant on such portals to help sell properties. The Company also places a degree of reliance on other third party providers, including the providers of the EPCs that Purplebricks offers its customers.

Termination of an arrangement with a portal or a third party supplier, a change in the terms of a third party contract or a portal or supplier experiencing technical difficulties could result in the Company's access to services being restricted or interrupted, which in turn may have an adverse effect on the Company's business, prospects, results of operations and financial condition.

Further, part of the Company's income derives from third party service providers including the conveyancing commission received for transactions. The ability of the Company to generate this income depends, in part, on the availability of a sufficient number of providers with the resources to perform the work at an appropriate standard. If the Company is unable to provide such services to its customers, then there may be an adverse impact on Company's reputation and goodwill as well as an adverse impact on the Company's income.

***The Company's property sales business is dependent on the availability and affordability of mortgage financing***

The majority of residential property sales transactions in the UK rely on mortgage financing. Any reduction in mortgage loan availability, due to (i) macroeconomic factors (such as constrained wholesale funding markets, the de-leveraging of lenders' balance sheets or a more conservative attitude to risk by lenders), (ii) changes in lenders' lending criteria (including requirements for increased mortgage deposits from borrowers) and approval processes or the withdrawal of mortgage products, (iii) new regulations (such as regulations increasing the capital requirements of lenders) or (iv) any other reasons, could result in a decrease in volumes of residential property sales transactions.

The Bank of England base rate was reduced to 0.5 per cent. in March 2009 and has not been adjusted since then. Since the reduction in the base rate, lenders have offered mortgage products at generally low interest rate levels. Any increase in interest rates on mortgage products which results in higher monthly payments by borrowers may make mortgage products unaffordable for some prospective property buyers. Any perception by prospective property buyers that interest rates on mortgage products could increase in the future may result in a reluctance of prospective property buyers to incur mortgage debt to finance a residential property purchase.

Any reduction (or perceived reduction) in mortgage loan availability or in the affordability of mortgage products for prospective property buyers could result in a decrease in volumes of residential property sales transactions which could have a material adverse effect on the Company's business, prospects, results of operations and financial condition.

#### **Other risks relating to the Company's business**

##### ***The Company is subject to significant competition***

The estate agency industry is competitive and fragmented, with several large publicly listed operators (some of which have more resources than the Company) operating on a local, national or international level, and many smaller independent operators (including single site operators) providing services in their local area, as well as online-only estate agencies. The Company faces competition from all of these, and may in the future also face competition from new market entrants. Increased levels of competition from existing or new market entrants may decrease the number of sales and/or lettings transactions the Company facilitates or otherwise inhibit the successful implementation of its strategies.

Any increased competition from established estate agency brands, new entrants or from the Company's competitors decreasing the amounts they charge may result in the Company losing sales or lettings transaction business or damage to the Company's reputation and may impact adversely the Company's business, prospects, results of operations and financial condition.

##### ***The Company is dependent on the strength of its brand and on its reputation and goodwill, all of which may be affected by factors including litigation, employee misconduct, operational failures, regulatory investigations, negative publicity and/or poor performance***

The strength of the Company's brand and its reputation and goodwill underpin consumer perception of the Company. The Company operates in an industry where integrity, trust and confidence are important. Consequently the Company is exposed to risks which could undermine any of those characteristics including litigation, misconduct (including fraudulent acts or the taking of bribes), operational failures, adverse regulatory investigations, negative publicity or press speculation (including adverse social media commentary), unauthorised disclosure of or access to confidential or personal information and poor service.

In addition, adverse publicity about another operator in the Company's industry or markets may have a negative impact on the Company even though the Company is not (or has not been) directly involved. Any actions taken by another entity that are perceived negatively by the market could have an adverse impact on the views of market and potential customers, which in turn could affect the Company's reputation and goodwill.

##### ***The Company is exposed to the risk of an increase in private sales and/or lettings of residential property, including through the internet***

The Directors believe that the number of sales and lettings of residential property made without the involvement of any estate agent is currently low. The volume of private sales and/or lettings may, however, increase if consumer preferences should change, for example due to greater proliferation or more widespread adoption of websites that facilitate such private sales and/or lettings. The Enterprise and Regulatory Reform Act 2013 (Commencement No.3, Transitional Provisions and Savings) Order 2013 amends, the EAA, essentially widening the persons to whom the EAA does not apply, i.e. those who fall outside of estate agency work and who therefore do not need to comply with the relevant regulations. The amendment means that intermediaries who introduce buyers and sellers wishing to arrange private sales, usually through online portals, without giving advice or handling clients' money will now fall outside of the regulation applicable to estate agents. If there were a significant increase in the volume of private sales and/or lettings transactions and a corresponding decrease in the volume of sales and/or

lettings of residential property through estate agents, it could reduce the Company's revenues which could have a material adverse effect on the Company's business, prospects, results of operations and financial condition.

***The Company is subject to laws and regulations with which it may be found to be non-compliant***

The Company is subject to laws, regulations and industry codes of conduct (including those promulgated by the National Association of Estate Agents and the Property Ombudsman and each of the LPEs are members of the Association of Residential Letting Agents). Changes in such laws, regulations or industry codes of conduct may increase the costs or reduce the profitability of providing the Company's services. For example, a change in the regulation of property lettings (whether by legislation or through industry codes of conduct) may reduce, cap or otherwise limit the amount of commission payable on lettings transactions or other charges levied by the Company for providing its services.

The Company is subject to supervision by the CMA (which has a general remit to protect consumers in the UK) among others. Regulators can conduct industry-wide investigations into certain products, selling practices or other aspects of the business of firms supervised by that regulator. Such investigations can follow adverse publicity in respect of another participant in the same industry as the Company and might not necessarily result from any action or omission by the Company. A regulator may determine that the Company has failed to comply with applicable laws, regulations or rules or that it has not undertaken corrective action required by that regulator. The impact of the Company being found to be non-compliant in any such inquiry and/or investigation is difficult to assess or quantify and would depend on which regulatory regime was involved and the disciplinary/enforcement powers of the regulator responsible for the supervision of that particular business. Such inquiries or investigations could result in adverse publicity for, or negative perceptions being created regarding, the Company and affect the Company's relationships with regulators and current and potential clients, as well as diverting management's attention.

The Company relies upon, and may be responsible for, the actions of its Directors, employees and LPEs and their sub-licencees in carrying on its business. Acts or omissions of the Directors, the Company's employees and LPEs (including employee or sub-licencee negligence, fraud and other misconduct) could result in failures by the Company to comply with applicable laws, regulations, rules or industry codes of conduct, or requirements imposed or supervised by a regulator, which could lead to onerous requests for information, prosecution, disciplinary action, imposition of fines or the revocation of a permission or authorisation, and could result in adverse publicity for, or negative perceptions being created regarding, the Company and affect the Company's relationships with its current and potential clients and applicants, as well as diverting management's attention. Any of these outcomes could have a material adverse effect on the Company's business, prospects, results of operations and financial condition.

***The Company may be adversely affected by mistakes and misconduct by its personnel and personnel of its LPEs, including non-compliance with legal and regulatory requirements***

The Company's personnel or the personnel employed or engaged by LPEs may inadvertently make mistakes or breach applicable laws or regulations in the course of their duties or engage in other improper acts. The Company has systems in place designed to prevent and/or mitigate these risks; however, such systems may fail to detect or prevent such acts. Such acts by the Company's personnel or the personnel of LPEs could lead to reputational damage, regulatory and legal action and financial costs where such costs are not covered by insurance.

Further, any action taken by an LPE that is perceived negatively by a customer or by the market more generally could have an adverse impact on the views of market and potential customers on the Company, which in turn could affect the Company's reputation and goodwill, causing loss of consumer and client confidence in the Company.

If any of these events occur, it could have an adverse effect on the Company's business, results of operations, financial condition and/or growth prospects.

***The Company's business model which is carried on through LPEs exposes the Company to certain additional risks***

The Company carries on its operations through a business model of LPEs. Most of the LPEs are not employees of the Company. The Company retains legal responsibility in respect of the services provided to customers but day to day interaction with such customers will be through the LPEs who typically operate from separate business premises. Whilst the terms of the LPE Licence Agreements set out the contractual responsibilities of the LPEs and their sub-licensees and employees and entitle the Company to terminate such appointments in the event of certain breaches, the Company retains responsibility to the customer and is exposed to consequential risk. Any claim brought by a customer against the Company may result in financial loss and could have an adverse effect on the Company's business, results of operations, financial condition and reputation.

Whilst the Company has a wide ranging network of LPEs and there is no major concentration risk arising from the dependence on any one LPE, the loss of a number of LPEs could have an adverse effect on the Company's business, results of operations and financial condition.

Whilst the Company seeks to protect itself contractually, including through the terms of its LPE Licence Agreements, its rights against the LPE are dependent upon the successful enforceability of such contracts. Failure to enforce, or recover under any such contracts could have an adverse effect on the Company's business, results of operations and financial condition.

Further, under legislation currently being consulted on by HMRC, it is proposed that where there is direct supervision, direction or control over a person engaged, the responsibility to account for income tax and national insurance contributions will become that of the engager. The Directors do not consider that the licenced LPE model should fall within the remit of the proposed legislation, which is a relationship of licensor and licensee. However, no assurance can be given that HMRC will not determine the legislation broadly, in which case the Company would be required to account for income tax and national insurance contributions on behalf of each licenced LPE and would be liable for employer's national insurance contributions, which in turn could adversely affect the Company's business, results of operations and financial condition.

In the event of a termination of a LPE Licence Agreement, there is a risk that an individual employed by such LPE could seek to argue that they are an employee of the Company, thus asserting potential employment related claims.

***Key management***

The Company depends on the services of its key management personnel and, in particular, on the services of Michael Bruce and Kenny Bruce. Although key man insurance is in place in respect of Michael Bruce and Kenny Bruce, the loss of the services of any of these persons could have a material adverse effect on the Company's business, financial condition or results of operations. In addition, as the Company's business expands, it may need to add new personnel to service the Company's increased level of business. The Company's success is also highly dependent on its continuing ability to identify, hire, train, motivate and retain key management. Competition for such personnel in the sector can be intense and the Company's personnel are frequently targeted by other companies for recruitment, and the Company cannot give assurances that it will be able to attract or retain such personnel in the future. The Company's inability to attract and retain the necessary management may adversely affect its future growth and profitability.

It may also be necessary for the Company to increase the level of remuneration paid to existing or new employees to such a degree that its operating expenses could be materially increased.

***System failures and breaches of security***

The successful operation of the Company's business depends upon maintaining the integrity of the Company's website, computer, communication and information technology systems. In particular, the operations of the Company and the LPEs are dependent on the Company's proprietary software. These systems and operations are vulnerable to damage, breakdown or interruption from events which are beyond the Company's control, such as fire, flood and other natural disasters; power loss or telecommunications or data network failures; improper or negligent operation of the Company's system



by employees or LPEs, or unauthorised physical or electronic access; and interruptions to internet system integrity generally as a result of cyber-attacks by computer hackers or viruses or other types of security breaches. Further, any modifications or upgrades to any information technology systems could result in interruption to the Company's business. Any such damage or interruption could cause significant disruption to the operations of the Company and its ability to trade. This could be harmful to the Company's business, financial condition and reputation and could deter current or potential customers from using its services.

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

Further, a breach of the Company's security or improper or negligent use of the Company's systems may cause loss of customer data, which may subsequently be used fraudulently. Any such loss occurring may adversely impact on the views of market and potential customers on the Company, which in turn could affect the Company's reputation and goodwill, causing loss of consumer and client confidence in the Company.

***The Company is dependent on its trademarks and other intellectual property rights***

Although the Directors believe that the Company's trademarks and other intellectual property ("IP") rights are adequately supported by applications for registrations, existing registrations and other legal protections, these protections may be challenged by others. A successful challenge to these protections, or any other damage to the Company's IP rights could have a material adverse effect on the Company's business, prospects, results of operations and financial condition.

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

The Company is not currently subject to any material litigation, although it may be subject to such litigation in the future. In addition, the Company may be subject to other disputes, claims and complaints, including adversarial actions, by clients, 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 Company's operations and may result in the Company having to pay monetary judgments, any of which could have a material adverse effect on the Company's results of operations and financial condition. In addition, adverse legal publicity or a substantial judgment against the Company related to litigation could negatively impact its reputation, even if the Company is not found liable, which could also adversely impact the Company's business, prospects, results of operations and financial condition.

***The Company's anticipated expansion strategy may place significant demands on its management, administrative, operational, IT, financial and other resources***

The Company's anticipated expansion strategy may place significant demands on its management, administrative, operational, IT, financial and other resources.

To be successful in managing its expansion strategy, the Company will need to continue to maintain, develop and integrate its management, administrative, operational, financial and accounting systems, internal controls and supervisory procedures. As the Company's operations expand, it may also be required to incur further expenditure and effort to invest in its IT systems and infrastructure. Although the Company's management, administrative, operational, financial and accounting systems and internal controls and supervisory procedures have been designed to be scaleable and to support its anticipated expansion strategy, there can be no assurance that they will be suitable or perform as designed.

***The Company may require additional capital in the longer term, depending on factors such as regulatory changes or the pursuit of its growth strategy. Such additional capital may not be available or may only be available on unfavourable terms***

The Company's capital requirements depend on numerous factors, including working capital. If its capital requirements in the longer term were to vary materially from those which the Directors currently anticipate, or if the Company requires significantly more capital for its expansion than currently anticipated, the Company might require financing. In order to be able to make the necessary payment, the Company may need to obtain borrowing facilities or seek to raise funds in the capital markets, failing which it would have to raise additional capital from Shareholders. There can be no assurance that the Company will be able to raise additional funds, whether in the form of debt or equity, when needed or that such funds will be available on terms favourable to it.

A number of factors (including conditions in the credit, debt and equity markets and general economic conditions) may make it difficult for the Company to obtain additional financing or raise capital on favourable terms or at all. If, in the longer term, the Company fails to raise additional funds when needed or to obtain such funds on favourable terms, it could have a material adverse effect on the Company's business, results of operations, financial condition and growth prospects.

***The Company's operations could be adversely affected by external events and amounts recoverable under its insurance policies may be limited***

The Company's business operations, information systems and processes are vulnerable to damage or interruption from fire, extreme weather conditions, power loss, systems or telecommunication failure, bomb threats, explosions or other forms of terrorist activity and other natural and man-made disasters. These operations, information systems and processes may also be subject to sabotage, computer hacking, vandalism, theft and similar misconduct. Whilst the Company has in place disaster recovery and business continuity plans, there can be no assurance that any external suppliers of services have appropriate disaster recovery and business continuity plans covering all possible contingencies or that the disaster recovery plans of the Company and/or of its service providers will work as intended or do so in all the circumstances envisaged by such plans and/or without any disruption to the business of the Company.

Although the Company maintains insurance cover that includes property damage and business interruption, full recovery under the insurance policy may not be possible in every case, and the loss resulting from a loss of business continuity may exceed the policy limit. For the reasons set out above, a loss of business continuity could have an adverse impact on the Company's reputation and brand, business, results of operations, financial condition and growth prospects.

## **Risks Relating to the Ordinary Shares**

### ***Investment in AIM securities***

An investment in shares traded on AIM is perceived to involve a higher degree of risk and to be less liquid than investment in companies whose shares are listed on the Official List and traded on the London Stock Exchange's main market for listed securities. An investment in Ordinary Shares may be difficult to realise. Prospective investors should be aware that the value of Ordinary Shares may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Company. Investors may, therefore, realise less than, or lose all of, their investment.

### ***Potentially volatile share price and liquidity***

The share price of quoted emerging companies can be highly volatile and shareholdings illiquid. The price at which the Ordinary Shares are quoted and the price which investors may realise for their Ordinary Shares may be influenced by a significant number of factors, some specific to the Company and its operations and some which affect quoted companies generally. These factors could include the performance of the Company, large purchases or sales of Ordinary Shares, legislative changes and general, economic, political or regulatory conditions.

### ***Share price effect of sales of Ordinary Shares***

The market price of Ordinary Shares could decline significantly as a result of any sales of Ordinary Shares by certain Shareholders following the expiry of the relevant lock-in periods, details of which are set out in Parts I and V of this document, or the expectation or belief that sales of such Ordinary Shares may occur.

### ***Minority Shareholders may have difficulty affecting the outcome of Shareholders' votes***

Following Admission, Michael Bruce, Kenny Bruce and certain connected persons will own approximately 22.2 per cent. and the other Directors (and their connected persons), senior managers and other employees will own approximately 7.6 per cent. of the issued Enlarged Ordinary Share Capital of the Company. Accordingly, these Shareholders will, through the votes they will be able to exercise at general meetings of the Company, be able to exercise a significant degree of influence over the outcome of certain matters to be considered by Shareholders if only a relatively small percentage of the other Shareholders vote in a like manner, including:

- the election of Directors;
- a change of control in the Company, which could deprive Shareholders of an opportunity to earn a premium for the sale of their Ordinary Shares over the then prevailing market price;
- substantial mergers or other business combinations;
- the acquisition or disposal of substantial assets;
- the issuance of equity securities; and
- the payment of any dividends on the Ordinary Shares.

The concentration of ownership in these Shareholders may have the effect of delaying, deferring or preventing a change of control, merger, consolidation, takeover or other business combination or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of the Company, which in turn could have an adverse effect on the trading price of the Ordinary Shares. There can be no assurance that the interests of any of these Shareholders will in all cases be aligned with those of the Company or of other Shareholders.

### ***The Company's ability to pay dividends in the future depends, amongst other things, on the Company's financial performance and capital requirements and is therefore not guaranteed***

The Company's ability to pay dividends in the future depends, amongst other things, on the Company's financial performance and capital requirements and is therefore not guaranteed. The Company's dividend policy is described in Part I (Information on the Company) and should not be construed as a dividend forecast. Under English law, a company can only pay cash dividends to the extent that it has distributable reserves and cash available for this purpose. In addition, the Company may not pay dividends if the Directors believe this would cause the Company to be inadequately capitalised (or if, for any other reason, the Directors conclude it would not be in the best interests of the Company). Any of the foregoing could limit the payment of dividends to Shareholders or, if the Company does pay dividends, the amount of such dividends.

## PART III

### PART A – HISTORICAL FINANCIAL INFORMATION ON THE COMPANY

#### Statement of Comprehensive Income

	<i>Notes</i>	<i>Year to 30 April 2013 £</i>	<i>Year to 30 April 2014 £</i>	<i>Year to 30 April 2015 £</i>
<b>Revenue</b>		—	11,855	3,394,464
Cost of sales		—	(141,581)	(1,383,337)
<b>Gross (loss)/profit</b>		—	(129,726)	2,011,127
Administrative and establishment expenses	7	(520,117)	(1,494,721)	(3,965,412)
Sales and marketing costs		—	(708,282)	(3,473,028)
<b>Loss from operating activities</b>		(520,117)	(2,332,729)	(5,427,313)
<b>Loss from operating activities before adjustments in respect of the following:</b>		(520,117)	(2,331,165)	(5,282,234)
Amortisation of intangibles		—	(1,564)	(40,063)
Share based payment charge		—	—	(105,016)
<b>Loss from operating activities</b>		(520,117)	(2,332,729)	(5,427,313)
Finance expenses		—	(3,915)	(8,467)
<b>Loss before taxation</b>		(520,117)	(2,336,644)	(5,435,780)
Taxation	9	—	265,884	—
<b>Loss after tax and total comprehensive loss for the year attributable to equity holders</b>		(520,117)	(2,070,760)	(5,435,780)
Loss per share		(5.20)	(2.00)	(3.08)
Basic and diluted earnings/(loss) per share	10	(5.20)	(11.64)	(3.57)

The notes on pages 41 to 54 are an integral part of the Historical Financial Information on the Company.

## Statement of Financial Position

	Notes	30 April 2013 £	30 April 2014 £	30 April 2015 £
<b>Non-current assets</b>				
Intangible assets	11	—	54,727	137,893
Property, plant and equipment	12	—	36,314	63,207
		—	91,041	201,100
<b>Current assets</b>				
Trade and other receivables	13	—	540,812	746,083
Corporation tax receivable		—	265,884	—
Cash and cash equivalents		35,927	1,369,453	4,609,771
		35,927	2,176,149	5,355,854
<b>Current liabilities</b>				
Trade and other payables	14	(555,944)	(684,099)	(1,052,739)
Deferred income		—	—	(109,930)
		(555,944)	(684,099)	(1,162,669)
<b>Net current (liabilities)/assets</b>		(520,017)	1,492,050	4,193,185
<b>Total assets less current liabilities</b>		(520,017)	1,583,091	4,394,285
<b>Net (liabilities)/assets</b>		(520,017)	1,583,091	4,394,285
<b>Equity</b>				
Share capital	16	100	10,350	17,658
Share premium		—	4,163,618	12,298,268
Share based payments reserve		—	—	105,016
Retained earnings	17	(520,117)	(2,590,877)	(8,026,657)
<b>Total equity</b>		(520,017)	1,583,091	4,394,285

The notes on pages 41 to 54 are an integral part of the Historical Financial Information on the Company.



## Statement of Changes in Equity

	<i>Share capital £</i>	<i>Share premium £</i>	<i>Retained earnings £</i>	<i>Share based payments reserve £</i>	<i>Total £</i>
As at 1 May 2012	100	—	—	—	100
Loss and total comprehensive income for the year	—	—	(520,117)	—	(520,117)
	100	—	(520,117)	—	(520,017)
Transactions with owners	—	—	—	—	—
As at 30 April 2013	100	—	(520,117)	—	(520,017)
Loss and total comprehensive income for the year	—	—	(2,070,760)	—	(2,070,760)
	100	—	(2,590,877)	—	(2,590,777)
Issue of shares	10,250	4,163,618	—	—	4,173,868
As at 30 April 2014	10,350	4,163,618	(2,590,877)	—	1,583,091
Loss and total comprehensive income for the year	—	—	(5,435,780)	—	(5,435,780)
	10,350	4,163,618	(8,026,657)	—	(3,852,689)
Issue of shares	7,308	8,134,650	—	—	8,141,958
Share based payment charge	—	—	—	105,016	105,016
As at 30 April 2015	17,658	12,298,268	(8,026,657)	105,016	4,394,285

The notes on pages 41 to 54 are an integral part of the Historical Financial Information on the Company.

## Statement of Cash Flows

	<i>Year to 30 April 2013 £</i>	<i>Year to 30 April 2014 £</i>	<i>Year to 30 April 2015 £</i>
<b>Cash flows from operating activities</b>			
Loss for the year after taxation	(520,117)	(2,070,760)	(5,435,780)
Adjustments for:			
Amortisation of intangible assets	—	1,564	40,063
Depreciation	—	4,950	15,757
Share based payment charge	—	—	105,016
Tax refund	—	—	265,884
<b>Operating cash flow before changes in working capital</b>	<b>(520,117)</b>	<b>(2,064,246)</b>	<b>(5,009,060)</b>
Movement in trade and other receivables	—	(806,696)	(205,271)
Movement in trade and other payables	127,228	556,871	368,640
Movement in deferred income	—	—	109,930
<b>Net cash flow from operating activities</b>	<b>(392,889)</b>	<b>(2,314,071)</b>	<b>(4,735,761)</b>
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment	—	(41,264)	(42,650)
Development expenditure capitalised	—	(56,291)	(123,229)
<b>Net cash flow from investing activities</b>	<b>—</b>	<b>(97,555)</b>	<b>(165,879)</b>
<b>Cash flow from financing activities</b>			
Directors loan	428,716	—	—
Issue of shares, net of costs	100	3,745,152	8,141,958
<b>Net cash flow from financing activities</b>	<b>428,816</b>	<b>3,745,152</b>	<b>8,141,958</b>
<b>Net increase in cash and cash equivalents</b>	<b>35,927</b>	<b>1,333,526</b>	<b>3,240,318</b>
Cash and cash equivalents at the beginning of the year	—	35,927	1,369,453
<b>Cash and cash equivalents at the end of the year</b>	<b>35,927</b>	<b>1,369,453</b>	<b>4,609,771</b>

The notes on pages 41 to 54 are an integral part of the Historical Financial Information on the Company.

## Notes to the Financial Information

### 1. Reporting entity

Purplebricks Group plc (“the Company”), is a company domiciled in the United Kingdom. The address of the Company’s registered office is Purplebricks Group plc, Suite 7, First Floor, Cranmore House, Cranmore Drive, Shirley, Solihull, West Midlands, B90 4RZ. The registered company number is 08047368.

The Company is primarily involved in the estate agency business.

### 2. Basis of preparation

The historical financial information has been prepared in accordance with the requirements of the AIM rules for Companies for the purposes of the AIM admission document dated 11 December 2015 and represents historical financial information for the Company for each of the three years ended 30 April 2013, 30 April 2014 and 30 April 2015.

The historical financial information has been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”).

The historical financial information does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The Company’s statutory financial statements for the years ended 30 April 2013 and 30 April 2014 and 30 April 2015 have been delivered to the Registrar of Companies. For the years ended 30 April 2013 and 2014, the Company was entitled to exemption from audit under section 477 of the Companies Act 2006 and the members did not require the Company to obtain an audit of its financial statements in accordance with Section 476 of the Companies Act 2006. The auditor’s report on the financial statement for the year ended 30 April 2015 was unqualified and did not contain statements under section 498(2) or section 498(3) of the Companies Act 2006.

The Company’s statutory financial statements for the year ended 30 April 2015 were the first financial statements of the Company to be prepared in accordance with IFRS and contain disclosures setting out the adjustments to effect the transition from the previous financial statements prepared under the Financial Reporting Standard for Smaller Entities (effective 2008).

The historical financial information has been prepared on a going concern basis and under the historical cost convention. The historical financial information is presented in Sterling. The Company has separately presented in the Statement of Comprehensive Income its key non-cash expense items, being the amortisation of intangibles and the share based payment charge. Given their importance to the Company’s business model, sales and marketing costs have also been separately highlighted.

The Directors are responsible for the preparation of this historical financial information.

#### *Use of estimates and judgments*

The preparation of the historical financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised. Information about significant areas of estimation and critical judgments that have the most significant impact on the historical financial information are described in the following notes:

#### *Estimates*

*Note 11: Measurement of intangible assets:* In testing for impairment of intangible assets, management has made certain assumptions concerning the future development of the business that are consistent with the annual budget and business plan. Should these assumptions regarding the growth in profitability be unfounded then it is possible that intangible assets included in the statement of financial position could be impaired. Management is confident that this will not be the case and conservatively amortises the

intangible asset over three years, a realistic timescale for code to become superseded by future releases. Accordingly, when assessing the recoverable value attributable to intangible assets, management has estimated cash flows attributable to existing businesses and extrapolated forward budgets for the financial year ending 30 April 2017.

*Note 13: Measurement of trade receivables:* Management assesses the likely recoverability of amounts from its credit partners and the age of debts at the period end. The directors consider the carrying amount of trade receivables approximates to their fair value.

*Note 6: Share based payments:* The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of fair value is measured using the Black-Scholes model. The use of a valuation model such as this involves making certain assumptions around the inputs into the model. There is also uncertainty around the number of shares likely to vest and the model therefore takes into accounts management's best estimate of this.

#### *Judgments*

*Note 11: Intangible assets:* Development expenditure is capitalised on the statement of financial position when certain criteria are met, as described more fully in the accounting policy on the treatment of research and development expenditure. Management uses its judgment in assessing development against the criteria. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that the asset may be impaired, as discussed above.

*Note 15: Deferred tax:* The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Company's future taxable income against which the deferred tax assets can be utilised. In addition, significant judgment is required in assessing the impact of any legal or economic limits or uncertainties. The Company has significant tax losses but does not know with certainty when sufficient taxable profits will be generated to utilise these losses, and as a result the directors' judgement is that no deferred tax asset should be recognised.

### **3. Accounting policies**

#### ***Adopted IFRS not yet applied***

At the date of authorisation of this historical financial information, certain new standards, amendments and interpretations to existing standards have been issued but are not yet effective and have not been applied early by the Company. Management anticipates that the following pronouncements relevant to the Company's operations will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement, once adopted by the European Union:

- IFRS 9 Financial Instruments (IASB effective date 1 January 2018)
- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)
- Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (IASB effective date 1 January 2016)
- Annual Improvements to IFRSs 2010-2012 Cycle (IASB effective date generally 1 July 2014)
- Annual Improvements to IFRSs 2011-2013 Cycle (IASB effective date 1 July 2014)
- Annual Improvements to IFRSs 2012-2014 Cycle (effective 1 January 2016)
- Disclosure Initiative: Amendments to IAS 1 Presentation of Financial Statements (effective 1 January 2016)

There are other standards in issue which are not considered applicable and are not expected to have an impact on the Company and have therefore not been included in the list above.

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial information in the period of initial adoption.

### ***Revenue***

Revenue comprises the fair value of consideration received or receivable in respect of services provided relating to the sale of property, net of discounts, rebates and any sales taxes.

Revenues are recognised on the basis of the performance of contractual obligations and to the extent that the right to consideration has been earned and the flow of economic resources is probable.

Fees earned on instructions of residential property are accounted for at the point of publication of the advert to property portals. Where property particulars have not yet been published to property portals, the fees are recognised as deferred income and presented within liabilities.

Conveyancing fees are accounted for on completion of the service being provided, being completion of the transaction. This may lead to the recognition of accrued income.

Fees earned under lettings contracts are recognised on a straight-line basis over the term of the agreement and/or at the point of delivery of the service as appropriate.

### ***Internally developed intangible assets***

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from the Company's development activity is recognised in the statement of financial position when the Company can demonstrate the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Internally generated intangible assets are amortised over their useful economic life on a straight line basis over three years. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

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

Property, plant and equipment is held at cost less accumulated depreciation and impairment charges.

Depreciation is calculated to write off the cost of property, plant and equipment less the estimated residual value on a straight-line basis over the expected useful economic life of the assets concerned. Estimated residual values are revised annually.

The annual rates used are:

- computer equipment – over three years
- fixtures and fittings – over five years

### ***Impairment***

The carrying amount of the Company's assets is reviewed at each year end date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.



An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss where it relates to an amount charged to profit or loss.

### ***Leases***

In accordance with IAS 17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any to be borne by the lessee.

All other leases are treated as operating leases. Payments under operating lease agreements are recognised as an expense on a straight line basis. Associated costs, such as maintenance and insurance, are expensed as incurred. The Company does not act as a lessor.

### ***Taxation***

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity. Current income tax assets and liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods that remain unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the historical financial information. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided those rates are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be able to be utilised against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full, deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority. Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

### ***Share-based payments***

The equity settled share option programme allows employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured using the Black-Scholes model at grant date and spread over the period during which the employees become unconditionally entitled to the options. The expense is allocated over the vesting period based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Deferred taxation is recognised over the vesting period. Payments made to employees on cancellation of an equity-settled award are accounted for as a repurchase of an equity interest and deducted from equity. Any excess of the payment over the fair value of the award calculated at the date of cancellation is treated as an expense.

### ***Share-based payments reserve***

This comprises the cumulative share-based payment charge recognised in the Statement of Comprehensive Income in relation to equity-settled options and share rights issued but not yet exercised.

### ***Accounting for financial assets***

The Company has financial assets in the loans and receivables category. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in the income statement. The Company's trade and other receivables fall into this category of financial instruments.

Significant receivables are considered for impairment on a case-by-case basis when they are past due at the year-end date or when objective evidence is received that a credit partner will default or that a receivable will be impaired.

### ***Accounting for financial liabilities***

The Company's financial liabilities include trade and other payables which, subsequent to initial recognition at fair value, are measured at amortised cost using the effective interest rate method.

### ***Equity instruments***

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. The only equity instrument applicable to the Company is its issued share capital.

Share capital is determined using the nominal value of shares that have been issued.

Share premium includes any premium received on the issue of share capital. Transaction costs associated with the issuing of shares are deducted from share premium, net of any related tax benefits.

Retained earnings includes all current and prior period retained profits and losses.

### ***Dividends***

Dividends are recorded in the Company's historical financial information in the period in which they are approved or paid.

### ***Pension benefits***

The Company does not operate a pension scheme nor is it required to do so until April 2017 when it will be required to provide a workplace pension.

## **4. Segmental analysis of financial information**

The Company is managed as a single division, providing services relating to the sale of properties. The financial information reviewed by the board is materially the same as that reported under IFRS. The Company only operates in the United Kingdom.

During the year, and in the prior years, no one customer contributed greater than 10 per cent. of the Company's revenues.

## **5. Related party transactions**

There were no related party transactions in the year ended 30 April 2015. In the year ended 30 April 2013, a director made loans to the Company which totalled £428,716 at 30 April 2013. These loans were converted to share capital in full in the year ended 30 April 2014.

Directors' remuneration and key management personnel disclosures can be found in note 8.

## 6. Share based payments

The Company operates an HMRC approved Enterprise Management Incentive plan.

The vesting conditions are based on length of service with 25 per cent. of the options vesting on or after the 12 month anniversary of the employee's start date and a further 6.25 per cent. vesting every three months thereafter so that options vest in full on the 48 month anniversary of the employee's start date.

Details of the total number of shares under option at the year end and conditions on qualification and exercise are set out below:

<i>Grant Date</i>	<i>Employees entitled</i>	<i>Number of options</i>	<i>Performance conditions</i>	<i>Exercise price (p)</i>	<i>Earliest date exercise</i>	<i>Expiry date</i>
9 January 2015	14	44,937	Length of service	£0.01	9 January 2016	9 January 2025

No share options were exercised during the year (2014 and 2013: Nil). The number and weighted average exercise price of share options are as follows:

	<i>Year to 30 April 2015 Weighted average exercise price</i>	<i>Year to 30 April 2015 Number of options (number)</i>
Granted during the year	£0.01p	44,937
Exercised during the year	—	—
Lapsed during the year	£0.01p	(2,300)
Outstanding at the end of the year	£0.01p	42,637
Exercisable at the end of the year	£0.01p	13,800

Options outstanding at 30 April 2015 all have exercise prices of £0.01p. The weighted average remaining contractual life of the options is 10 years (2014 and 2013: no share options in existence).

### *Fair value assumptions of share based payments*

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of fair value is measured using the Black-Scholes model. Details of the fair value of share options granted in the year ended 30 April 2015, together with the assumptions used in determining the fair value are summarised below.

	<i>Year to 30 April 2015</i>
Weighted average share price at date of grant	£14.00
Weighted average exercise price	£0.01
Weighted average contractual life (years)	10
Weighted average expected volatility	27%
Weighted average risk free interest rate	1.5%
Total weighted average fair value of options granted	<u>£596,510</u>

The volatility assumption, measured at the standard deviation of expected share price movements, is based on a review of volatility used by listed companies in the same sector.

### *Charge to the statement of comprehensive income*

The charge to statement of comprehensive income, included with administrative expenses, comprises:

	<i>Year to 30 April 2013 £</i>	<i>Year to 30 April 2014 £</i>	<i>Year to 30 April 2015 £</i>
Share based payment charges	<u>—</u>	<u>—</u>	<u>105,016</u>

## 7. Expenses and auditor's remuneration

Included in the income statement are the following items:

	<i>Year to 30 April 2013</i>	<i>Year to 30 April 2014</i>	<i>Year to 30 April 2015</i>
	£	£	£
Auditor's remuneration:			
Audit of the financial statements	—	—	12,000
Amounts received by auditors and their associates in respect of:			
Taxation compliance	—	—	2,000
Depreciation and other amounts written off property, plant and equipment:			
Owned, in respect of continuing activities	—	4,950	15,757
Amortisation of research and development costs	—	1,564	40,063
Aggregate charge against income in respect of research and development costs not eligible for capitalisation	371,927	562,912	352,083
Rentals payable under plant and machinery operating leases	—	—	1,093
Leasehold property rentals	2,074	48,605	49,328

The aggregate charge in respect of research and development represents the total cost incurred during each year, less amounts capitalised in accordance with IAS 38: 'Intangible Assets'.

## 8. Personnel expenses

The average number of persons employed by the Company during the period was as follows:

	<i>Year to 30 April 2013</i>	<i>Year to 30 April 2014</i>	<i>Year to 30 April 2015</i>
	No.	No.	No.
Sales and marketing	—	10	38
Technical	7	5	8
Administration	—	—	2
	7	15	48

The aggregate payroll costs of the persons employed, including directors, were as follows:

	<i>Year to 30 April 2013</i>	<i>Year to 30 April 2014</i>	<i>Year to 30 April 2015</i>
	£	£	£
Wages and salaries	87,655	682,621	2,059,983
Social security costs	6,109	62,946	211,189
Share based payment charge	—	—	105,016
	93,764	745,567	2,376,188

The following table provides details of remuneration paid to directors:

	<i>Year to 30 April 2013</i>	<i>Year to 30 April 2014</i>	<i>Year to 30 April 2015</i>
	£	£	£
Salaries or fees (including bonuses)	20,811	64,124	538,379
Employer's national insurance	1,517	8,849	74,296
	22,328	72,973	612,675

The highest paid director received remuneration of £182,712 during the year to 30 April 2015 (2014: £46,041, 2013: £20,810).

No director had a material interest in any contract in relation to the business of the Company.

In addition to the 9 directors (2014: 5, 2013: none), 2 senior management (2014 and 2013: none) are also considered to be key management personnel.

The following table provides details of remuneration paid to key management personnel, being 11 individuals (2014: 5 individuals, 2013: 1 individual).

	<i>Year to 30 April 2013 £</i>	<i>Year to 30 April 2014 £</i>	<i>Year to 30 April 2015 £</i>
Salaries or fees, including bonuses and employer's national insurance	22,328	90,521	697,347
Share based payment charge	—	—	105,016
	<u>22,328</u>	<u>90,521</u>	<u>802,363</u>

## 9. Taxation

	<i>Year to 30 April 2013 £</i>	<i>Year to 30 April 2014 £</i>	<i>Year to 30 April 2015 £</i>
<b>Current tax expense</b>			
UK corporation tax for the current year	—	(265,884)	—
Total current tax	<u>—</u>	<u>(265,884)</u>	<u>—</u>
<b>Deferred tax</b>			
Deferred tax for the current year	—	—	—
Total deferred tax	<u>—</u>	<u>—</u>	<u>—</u>
Taxation charged/(credited) to the statement of comprehensive income	<u>—</u>	<u>(265,884)</u>	<u>—</u>

### *Reconciliation of effective tax rate*

The current tax charge for the year ended 30 April 2015 is higher than (2014 and 2013: higher than) the average standard rate of corporation tax in the UK during the period of 20.92 per cent. (2014: 21 per cent. and 2013: 23 per cent.). The differences are explained below.

	<i>Year to 30 April 2013 £</i>	<i>Year to 30 April 2014 £</i>	<i>Year to 30 April 2015 £</i>
Loss before taxation from continuing operations	<u>(520,117)</u>	<u>(2,336,644)</u>	<u>(5,435,780)</u>
Tax using the average UK Corporation tax rate of 20.92% (2014: 21%, 2013: 23%)	(119,627)	(490,695)	(1,137,165)
Effects of:			
Expenses not deductible for tax purposes	—	20,102	66,024
Tax losses for which no deferred tax asset was recognised	(119,627)	301,611	1,055,201
Other short term timing differences	—	(3,883)	15,790
Other permanent differences	—	1,721	150
Surrender of tax losses for research and development tax credit refund	—	119,190	—
Additional deduction for research and development expenditure	<u>—</u>	<u>(213,930)</u>	<u>—</u>
Total tax in income statement	<u>—</u>	<u>(265,884)</u>	<u>—</u>



## 10. Earnings per share

<i>Basic</i>	<i>Year to 30 April 2013</i>	<i>Year to 30 April 2014</i>	<i>Year to 30 April 2015</i>
Loss for the year (£)	(520,117)	(2,070,760)	(5,435,780)
Weighted average number of shares in issue for the year (number)	100,000	177,913	1,522,219
Basic earnings/(loss) per share	(5.20)	(11.64)	(3.57)

In line with IAS 33 'Earnings per Share' diluted loss per share does not include any anti-dilutive effects as to do so would present a reduced loss per share. In line with IAS 33, the number of shares has been retrospectively adjusted based on the changes in share capital set out in note 16.

## 11. Intangible assets

	<i>Internally generated intangible asset £</i>	<i>Total £</i>
<b>Cost</b>		
Balance as at 1 May 2012 and 1 May 2013	—	—
Internally developed	56,291	56,291
Balance as at 30 April 2014	56,291	56,291
Internally developed	123,229	123,229
Balance as at 30 April 2015	179,520	179,520
<b>Amortisation and impairment</b>		
Balance as at 1 May 2012 and 1 May 2013	—	—
Amortisation for the year	1,564	1,564
Balance as at 30 April 2014	1,564	1,564
Amortisation for the year	40,063	40,063
Balance as at 30 April 2015	41,627	41,627
<b>Net carrying value</b>		
Balance as at 30 April 2013	—	—
Balance as at 30 April 2014	54,727	54,727
Balance as at 30 April 2015	137,893	137,893

The internally generated intangible asset relates to capitalised development costs in respect of the customer-facing Purplebricks software platform.

The amortisation charges are recognised in the following line items in the income statement:

	<i>Year to 30 April 2013 £</i>	<i>Year to 30 April 2014 £</i>	<i>Year to 30 April 2015 £</i>
Administrative and establishment expenses	—	1,564	40,063

### ***Amortisation and impairment***

Intangible assets are amortised over their useful economic lives. In the case of the internally developed intangible asset, amortisation is charged on a straight line basis over three years.

## 12. Property, plant and equipment

	<i>Computer equipment £</i>	<i>Furniture and fittings £</i>	<i>Total £</i>
<b>Cost</b>			
Balance as at 1 May 2012 and 1 May 2013	—	—	—
Additions	41,264	—	41,264
Balance as at 30 April 2014	41,264	—	41,264
Additions	40,486	2,164	42,650
Balance as at 30 April 2015	81,750	2,164	83,914
<b>Depreciation</b>			
Balance as at 1 May 2012 and 1 May 2013	—	—	—
Charge for the year	(4,950)	—	(4,950)
Balance as at 30 April 2014	(4,950)	—	(4,950)
Charge for the year	(15,558)	(199)	(15,757)
Balance as at 30 April 2015	(20,508)	(199)	(20,707)
<b>Net book value</b>			
As at 30 April 2013	—	—	—
As at 30 April 2014	36,314	—	36,314
As at 30 April 2015	61,242	1,965	63,207

## 13. Trade and other receivables

	<i>30 April 2013 £</i>	<i>30 April 2014 £</i>	<i>30 April 2015 £</i>
Trade receivables	—	12,000	238,059
Prepayments and accrued income	—	528,812	508,024
	—	540,812	746,083

All trade and other receivables are short-term and due in less than one month. The directors consider that the carrying amount of trade receivables approximates to their fair value. All trade and other receivables have been reviewed for indications of impairment.

Of the total trade receivables shown above, there were no amounts past due and none are deemed to be impaired (2014 and 2013: £nil).

## 14. Trade and other payables

	<i>30 April 2013 £</i>	<i>30 April 2014 £</i>	<i>30 April 2015 £</i>
Trade payables	107,161	596,444	552,862
Other taxation and social security	20,067	83,655	48,278
Accruals	—	4,000	451,599
Amounts owed to directors	428,716	—	—
	555,944	684,099	1,052,739

All trade and other payables are short-term. The directors consider that the carrying amount of trade and other payables approximates to their fair value.

## 15. Deferred tax assets and liabilities

### Movement in unprovided deferred tax

	<i>As at 1 May 2012 £</i>	<i>Movement in the year £</i>	<i>As at 30 April 2013 £</i>	<i>Movement in the year £</i>	<i>As at 30 April 2014 £</i>	<i>Movement in the year £</i>	<i>As at 30 April 2015 £</i>
Share based payment expense	—	—	—	—	—	21,003	21,003
Tax losses	—	—	—	402,217	402,217	1,008,902	1,411,119
	—	—	—	402,217	402,217	1,029,905	1,432,122

The gross value of losses in respect of which the unrecognised deferred tax asset relates is £7,055,596 (2014: £2,011,084, and 2013: £nil).

A deferred tax asset has not been recognised in respect of trading losses and other temporary differences as the Company does not know with certainty when sufficient taxable profits will be generated to utilise those losses.

## 16. Share capital

Allotted, issued and fully paid:

<i>Class</i>	<i>Nominal Value</i>	<i>30 April 2013 £</i>	<i>30 April 2014 £</i>	<i>30 April 2015 £</i>
A Ordinary	£0.01p	100	2,167	6,565
B Ordinary	£0.01p	—	6,783	2,559
C Ordinary	£0.01p	—	—	1,411
Series Seed shares	£0.01p	—	1,400	7,123
		100	10,350	17,658

The table below summarises the movements the number of the shares at the beginning and end of the period:

	<i>A Ordinary</i>	<i>B Ordinary</i>	<i>C Ordinary</i>	<i>Series Seed</i>
Ordinary shares as at 30 April 2013	100	—	—	—
Shares allotted in the year	216,567	678,294	—	140,000
Ordinary shares as at 30 April 2014	216,667	678,294	—	140,000
Shares allotted in the year	3,237	14,269	—	—
Shares reclassified in the year	436,633	(436,633)	141,120	572,261
Ordinary shares as at 30 April 2015	656,537	255,930	141,120	712,261

No fully paid shares were allotted during the year ended 30 April 2013.

The following fully paid shares were allotted during the year ended 30 April 2014 as shown below:

- 76,567 A Ordinary shares of £0.01 each at £7.50 per share were allotted
- 140,000 A ordinary shares of £0.01 each at £0.01 were allotted
- 678,294 B ordinary shares of £0.01 each at £7.50 per share were allotted
- 140,000 Series Seed shares of £0.01 each at £7.50 per share were allotted

The following fully paid shares were allotted during the year ended 30 April 2015 as shown below:

- 3,237 A Ordinary shares of £0.01p each at £14.00 per share were allotted and 436,633 A Ordinary shares of £0.01 were created by way of reclassification from B Ordinary shares

- 14,269 B Ordinary shares of £0.01p each at £14.00 per share were allotted and 436,633 B Ordinary shares were cancelled by way of reclassification to A Ordinary shares
- 572,261 Series Seed shares of £0.01p each were allotted at £14.00 per share
- 141,120 C shares of £0.01p were allotted by way of a charge to the share premium account for their allotment price

The A Ordinary shares rank behind the Series Seed Shares on liquidation or a return of capital but shall rank equally with the B Ordinary shares. On a disposal, the A Ordinary shares shall rank behind the B Ordinary and Series Seed shares. The A Ordinary shares are entitled to dividend payments *pari passu* to all other classes of shares.

The B Ordinary shares automatically convert to A Ordinary shares on an IPO. The B Ordinary shares have the benefit of anti-dilution protection provisions. Each share is entitled *pari passu* to dividend payments. The B Ordinary shares rank behind the Series Seed Shares on liquidation or a return of capital but shall rank equally with the A Ordinary shares.

The C Ordinary shares are entitled to dividend payments equal to one half of the amounts attributable to the A Ordinary shares, B Ordinary shares and Series Seed shares.

On a share sale, the C Ordinary shares rank behind Series Seed, B Ordinary shares, A Ordinary shares, and only participate if the proceeds of the share sale exceed £21,000,000.

The C Ordinary shares rank behind the Series Seed and the deferred shares, but shall rank equally with the B Ordinary shares and A Ordinary shares on liquidation or a return of capital, conferring rights to participate in the distribution of surplus assets pro-rata with A Ordinary shares and B Ordinary shares as if such shares constituted one and the same class.

The Series Seed shares shall automatically convert to A Ordinary shares on an IPO. The Series Seed shares have the benefit of anti-dilution protection provisions. Each share is entitled *pari passu* to dividend payments. The Series Seed shares rank ahead of other classes of shares on a liquidation or a return of capital.

## **17. Capital and reserves**

### ***Reconciliation of movements in capital and reserves***

Movements in capital and reserves are set out in the statement of changes in equity.

## **18. Financial instruments disclosure**

### ***Capital risk management***

Capital management objectives are to ensure the Company's ability to continue as a going concern and to provide a return to shareholders.

The capital structure of the Company currently consists of cash and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity. The Company's Audit Committee reviews the capital structure as part of its risk analysis. As part of this review, the Audit Committee considers the cost of capital and the risks associated with each class of capital.

The Company is not subject to externally imposed capital requirements.

### ***Categories of financial assets and financial liabilities***

The Company held the following categories of financial instruments:

	30 April 2013 £	30 April 2014 £	30 April 2015 £
<b><i>Financial assets</i></b>			
Loans and receivables (including trade and other receivables, cash and cash equivalents)	35,927	1,381,453	4,847,830
<b><i>Financial liabilities held at amortised cost</i></b>			
Trade payables and accruals	107,161	600,444	1,004,461
Amounts owed to directors	428,716	—	—

The fair value of the financial instruments set out above is not materially different to the book value.

### ***Liquidity risk management***

The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring both forecast, as well as actual, cash flows to enable matching of the maturity profiles of financial assets and liabilities. Sufficient cash is retained to service short-term financing needs. Liquidity risk is managed through regular management review of performance against an integrated profit and loss, balance sheet and cash flow model. Sensitivities are applied to this model to ensure the Company has early warning of any manifestation of liquidity risk and communicates any such risk to investors in a timely and accurate manner so as to manage liquidity risk comprehensively and effectively.

The following is an analysis of the contractual undiscounted cash flows payable under financial liabilities. The table includes principal only cash flows in respect of trade and other payables.

	30 April 2013 £	30 April 2014 £	30 April 2015 £
Trade payables and accruals due within one month	127,228	684,099	824,195
Trade payables and accruals due within three months	—	—	228,544
Trade payables and accruals due after three months	—	—	—
Amounts owed to directors	428,716	—	—
Trade and other payables	555,944	684,099	1,052,739

### ***Interest rate sensitivity analysis***

At the year-end dates there was no material exposure to movements in interest rates as the Company has no borrowings or other financial assets or liabilities linked to interest rates.

### ***Other financial assets and liabilities***

There are no financial assets or liabilities measured at fair value.

### ***Foreign currency risk management***

The Company has no material currency exposure. The Company's financial instruments are denominated in Sterling.

### ***Credit risk management***

The Company's credit risk is primarily attributable to its trade receivables. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one credit partner depending upon their credit rating. The Company has an excellent history with no trade receivables written off as irrecoverable.

The credit risk on liquid funds is minimised because the counterparties are UK banks with high credit-ratings assigned by international credit-rating agencies.



## 19. Contingent liabilities

The Company had no contingent liabilities as at 30 April 2015 (2014 and 2013: £nil).

## 20. Commitments

Capital commitments, approved by the Board and existing at 30 April 2015, amounted to £nil (2014 and 2013: £nil).

Total commitments under non-cancellable operating leases are as follows:

	30 April 2013		30 April 2014		30 April 2015	
	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings</i>	<i>Other</i>
	£	£	£	£	£	£
Payable:						
Within one year	—	—	49,328	—	12,709	4,373
In the second to fifth years inclusive	—	—	12,709	—	—	8,382
	<u>—</u>	<u>—</u>	<u>62,037</u>	<u>—</u>	<u>12,709</u>	<u>12,755</u>

Operating leases relate to land, buildings and other assets, such as IT equipment, used to support the operational requirements of the Company.

## 21. Post balance sheet events

On 8 July 2015, the Company issued 135,796 shares for consideration of £10 million before costs, resulting in the share structure becoming as follows:

<i>Class</i>	<i>Number</i>	<i>Nominal Value</i>	<i>8 July 2015</i>
			£
A Ordinary	656,537	£0.01p	6,565
B Ordinary	255,930	£0.01p	2,559
C Ordinary	141,120	£0.01p	1,411
Series Seed shares	848,057	£0.01p	8,481
			<u>19,016</u>

On 6 November 2015, 69,328 D Ordinary Shares were allotted following the exercise of options over D Ordinary Shares. On 19 November 2015, the Company reduced its share premium by the cancellation of an amount of £19,000,000 in order to create distributable reserves. On 8 December 2015 69,328 D Ordinary Shares were converted into 60,363 A Ordinary Shares and 8,965 deferred shares of £0.01 each (which were subsequently redeemed by the Company) and on 9 December 2015 the Company undertook a bonus issue of 213,271,069 bonus shares. On 10 December 2015 the Company was re-registered as a public limited company and by special resolution changed its name to Purplebricks Group plc. Immediately prior to Admission all shares in the Company will automatically convert into A Ordinary Shares, which will be re-designated as Ordinary Shares pursuant to the terms of an ordinary resolution of the Company passed on 9 December 2015.

## 22. Ultimate controlling party

There is no ultimate controlling party as no one investor has a majority shareholding.

## PART III

### PART B – ACCOUNTANTS’ REPORT ON THE HISTORICAL FINANCIAL INFORMATION ON THE COMPANY

The Directors  
Purplebricks Group plc  
Suite 7, Cranmore Place, Cranmore Drive  
Shirley  
Solihull  
West Midlands  
B90 4RZ

11 December 2015

Dear Sirs

#### **Purplebricks Group plc (the Company) – Accountants’ Report on the Historical Financial Information on the Company**

We report on the Company’s historical financial information set out in Part III A, for the three years ended 30 April 2015 (the Historical Financial Information). The Historical Financial Information has been prepared for inclusion in the Company’s admission document dated 11 December 2015 (the **Admission Document**) on the basis of the accounting policies set out in Part III A of the Admission Document.

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 Purplebricks Group plc are responsible for preparing the 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 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 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 the Company as at the specified dates and of its profits and cash flows for the years ended 30 April 2013, 2014 and 2015 in accordance with International Financial Reporting Standards as 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 we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

**GRANT THORNTON UK LLP**

## PART IV

### UNAUDITED INTERIM FINANCIAL INFORMATION ON THE COMPANY

#### Basis of Preparation

The following unaudited interim financial information is the condensed financial information on the Company for the five months ended 30 September 2015 for which the Directors are solely responsible. This unaudited interim financial information has been prepared in accordance with the accounting policies set out in Part A of Part III of this document.

#### Statement of Comprehensive Income

	<i>Notes</i>	<i>Five months to 30 September 2014 £</i>	<i>Five months to 30 September 2015 £</i>
<b>Revenue</b>		598,462	5,733,141
Cost of sales		(288,140)	(2,509,762)
<b>Gross profit</b>		310,322	3,223,379
Administrative and establishment expenses		(1,573,850)	(2,955,701)
Sales and marketing costs		(791,872)	(5,164,993)
<b>Loss from operating activities</b>		(2,055,400)	(4,897,315)
<b>Loss from operating activities before adjustments in respect of the following:</b>		(2,040,829)	(4,673,830)
Amortisation of intangibles		(14,571)	(27,606)
Share based payment charge	4	—	(195,879)
<b>Loss from operating activities</b>		(2,055,400)	(4,897,315)
Finance expenses		(6,028)	(10,105)
<b>Loss before taxation</b>		(2,061,428)	(4,907,420)
Taxation		—	—
<b>Loss for the year and total comprehensive loss</b>		(2,061,428)	(4,907,420)

The notes to follow are an integral part of this financial information.

## Statement of Financial Position

	<i>Notes</i>	<i>As at 30 September 2014 £</i>	<i>As at 30 September 2015 £</i>
<b>Non-current assets</b>			
Intangible assets	1	80,584	169,359
Property, plant and equipment	2	30,322	163,260
		<u>110,906</u>	<u>332,619</u>
<b>Current assets</b>			
Trade and other receivables		756,506	878,647
Cash and cash equivalents		7,421,181	11,155,537
		<u>8,177,687</u>	<u>12,034,184</u>
<b>Current liabilities</b>			
Trade and other payables		(624,971)	(2,449,739)
Deferred income		—	(234,299)
		<u>(624,971)</u>	<u>(2,684,038)</u>
<b>Net current assets</b>		<u>7,552,716</u>	<u>9,350,146</u>
<b>Total assets less current liabilities</b>		<u>7,663,622</u>	<u>9,682,765</u>
<b>Net assets</b>		<u>7,663,622</u>	<u>9,682,765</u>
<b>Equity</b>			
Share capital	3	17,658	19,016
Share premium		12,298,269	22,296,931
Share based payments reserve		—	300,895
Retained earnings		(4,652,305)	(12,934,079)
<b>Shareholders' funds</b>		<u>7,663,622</u>	<u>9,682,765</u>

The notes to follow are an integral part of this financial information.



## Statement of Changes in Equity

	<i>Share capital £</i>	<i>Share premium £</i>	<i>Retained earnings £</i>	<i>Share based payments reserve £</i>	<i>Total equity £</i>
At 1 May 2014	10,350	4,163,618	(2,590,877)	—	1,583,091
Issue of shares	7,308	8,134,651	—	—	8,141,959
Transactions with owners	7,308	8,134,651	—	—	8,141,959
Loss for the period	—	—	(2,061,428)	—	(2,061,428)
Total comprehensive loss	—	—	(2,061,428)	—	(2,061,428)
<b>At 30 September 2014</b>	<b>17,658</b>	<b>12,298,269</b>	<b>(4,652,305)</b>	<b>—</b>	<b>7,663,622</b>

  

	<i>Share capital £</i>	<i>Share premium £</i>	<i>Retained earnings £</i>	<i>Share based payments reserve £</i>	<i>Total equity £</i>
At 1 May 2015	17,658	12,298,268	(8,026,657)	105,016	4,394,285
Issue of shares	1,358	9,998,663	—	—	10,000,021
Share-based payment charge	—	—	—	195,879	195,879
Transactions with owners	1,358	9,998,663	—	195,879	10,195,896
Loss for the period	—	—	(4,907,420)	—	(4,907,420)
Total comprehensive loss	—	—	(4,907,420)	—	(4,907,420)
<b>At 30 September 2015</b>	<b>19,016</b>	<b>22,296,931</b>	<b>(12,934,077)</b>	<b>300,895</b>	<b>9,682,765</b>

The notes to follow are an integral part of this financial information.

## Statement of Cash Flows

	5 months to 30 September 2014 £	5 months to 30 September 2015 £
<b>Cash flows from operating activities</b>		
Loss for the year after taxation	(2,061,428)	(4,907,420)
<i>Adjustments for:</i>		
Amortisation of intangible assets	14,571	27,606
Depreciation	5,992	18,457
Share-based payment charge	—	195,879
<b>Operating cash flow before changes in working capital</b>	<b>(2,040,865)</b>	<b>(4,665,478)</b>
Movement in trade and other receivables	(127,626)	(132,564)
Movement in trade and other payables	118,688	1,397,000
Movement in deferred income	—	124,369
<b>Net cash flow from operating activities</b>	<b>(2,049,803)</b>	<b>(3,276,673)</b>
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	—	(118,510)
Development expenditure capitalised	(40,428)	(59,072)
<b>Net cash flow from investing activities</b>	<b>( 40,428)</b>	<b>(177,582)</b>
<b>Cash flow from financing activities</b>		
Issue of shares	8,141,959	10,000,021
<b>Net cash flow from financing activities</b>	<b>8,141,959</b>	<b>10,000,021</b>
Net increase in cash and cash equivalents	6,051,728	6,545,766
Cash and cash equivalents at beginning of year	1,369,453	4,609,771
<b>Cash and cash equivalents at the end of the year</b>	<b>7,421,181</b>	<b>11,155,537</b>

The notes to follow are an integral part of this financial information.

## Notes to the Unaudited Interim Financial Information

### 1. Intangible assets

	<i>Internally generated intangible assets £</i>	<i>Total £</i>
<b>Cost</b>		
As at 1 May 2014	56,291	56,291
Internally developed	40,428	40,428
As at 30 September 2014	96,719	96,719
Internally developed	82,801	82,801
As at 30 April 2015	179,520	179,520
Internally developed	59,072	59,072
As at 30 September 2015	238,592	238,592
<b>Amortisation and impairment</b>		
As at 1 May 2014	(1,564)	(1,564)
Amortisation for the period	(14,571)	(14,571)
As at 30 September 2014	(16,135)	(16,135)
Amortisation for the period	(25,492)	(25,492)
As at 30 April 2015	(41,627)	(41,627)
Amortisation for the period	(27,606)	(27,606)
As at 30 September 2015	(69,233)	(69,233)
<b>Net carrying value</b>		
<b>As at 30 September 2014</b>	80,584	80,584
Balance at 30 April 2015	137,893	137,893
<b>As at 30 September 2015</b>	169,359	169,359

## 2. Property, plant and equipment

	<i>Computer equipment £</i>	<i>Furniture and fittings £</i>	<i>Leasehold improvements £</i>	<i>Total £</i>
<b>Cost</b>				
As at 1 May 2014	41,264	—	—	41,264
Additions	—	—	—	—
As at 30 September 2014	41,264	—	—	41,264
Additions	40,486	2,164	—	42,650
As at 30 April 2015	81,750	2,164	—	83,914
Additions	67,222	34,703	16,585	118,510
As at 30 September 2015	148,972	36,867	16,585	202,424
<b>Depreciation</b>				
As at 1 May 2014	(4,950)	—	—	(4,950)
Charge for the period	(5,992)	—	—	(5,992)
As at 30 September 2014	(10,942)	—	—	(10,942)
Charge for the period	(9,566)	(199)	—	(9,765)
As at 30 April 2015	(20,508)	(199)	—	(20,707)
Charge for the period	(14,804)	(2,547)	(1,106)	(18,457)
As at 30 September 2015	(35,312)	(2,746)	(1,106)	(39,164)
<b>Net book value</b>				
<b>As at 30 September 2014</b>	<u>30,322</u>	<u>—</u>	<u>—</u>	<u>30,322</u>
As at 30 April 2015	<u>61,242</u>	<u>1,965</u>	<u>—</u>	<u>63,207</u>
<b>At 30 September 2015</b>	<u>113,660</u>	<u>34,121</u>	<u>15,479</u>	<u>163,260</u>

## 3. Share capital

### Allotted, called up and fully paid:

	<i>A Ordinary</i>	<i>B Ordinary</i>	<i>C Ordinary</i>	<i>Series Seed</i>
<b>Ordinary shares of £0.01 each at 1 May 2014</b>	216,667	678,294	—	140,000
Shares allotted in period	3,237	14,269	141,120	572,261
Shares reclassified in the year	436,633	(436,633)	—	—
<b>Ordinary shares of £0.01 each at 30 September 2014</b>	656,537	255,930	141,120	712,261
Shares allotted in period	—	—	—	135,796
<b>Ordinary shares of £0.01 at 30 September 2015</b>	<u>656,537</u>	<u>255,930</u>	<u>141,120</u>	<u>848,057</u>

## 4. Share-based payments

The Company operates an HMRC approved executive management incentive plan (EMI).

The vesting conditions for the options are based on length of service with 25 per cent. of the options vesting on or after the 12 month anniversary of the employee's start date and a further 6.25 per cent. vesting every three months thereafter so that options vest in full on the 48 month anniversary of the employee's start date, with the exception of the options granted on the 7 August 2015 below which carry performance conditions.

Details of the total number of shares under option at the end of the period and conditions on qualification and exercise are set out below:

<i>Grant Date</i>	<i>Employees entitled</i>	<i>Number of options</i>	<i>Performance conditions</i>	<i>Exercise price (p)</i>	<i>Earliest exercise date</i>	<i>Expiry date</i>
9 January 2015	14	44,937	Length of service	£0.01	9 January 2016	9 January 2025
10 July 2015	11	45,301	Length of service	£14.00	10 July 2016	10 July 2025
7 August 2015	2	69,328	Achievement of a business plan and sales targets	£0.01	7 August 2016	7 August 2025
10 August 2015	11	6,300	Length of service	£14.00	10 August 2016	10 August 2025

No share options were exercised during the period (2014:Nil). The number and weighted average exercise price of share options are as follows:

	<i>Weighted average exercise price</i>	<i>Number of options (number)</i>
Granted during the 5 months ended 30 September 2014	—	—
Outstanding at the end of the period	—	—
Granted during the 7 months ended 30 April 2015	£0.01p	44,937
Exercised during the period	—	—
Lapsed during the period	—	(2,300)
Outstanding at end of the period	£0.01p	42,637
Granted during the 5 months ended 30 September 2015	£5.98p	120,929
Outstanding at end of the period	<u>£5.75p</u>	<u>163,566</u>

Options outstanding at 30 September 2015 have exercise prices with a weighted average of £4.36p. The weighted average remaining contractual life of the options is 6.2 years (2014: none).

#### ***Fair value assumptions of share-based payments***

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of fair value is measured using the Black-Scholes model. Details of the fair value of share options granted in the period and the prior period, together with the assumptions used in determining the fair value are summarised below. No options were granted in the preceding period.

	<i>30 September 2014</i>	<i>30 April 2015</i>	<i>30 September 2015</i>
Weighted average share price at date of grant	—	£14.00	£14.00
Weighted average exercise price	—	£0.01	£5.75
Weighted average contractual life (years)	—	5.82	5.82
Weighted average expected volatility	—	27%	27%
Weighted average risk free interest rate	—	1.5%	1.5%
Total weighted average fair value of options granted	<u>—</u>	<u>£596,510</u>	<u>£941,158</u>

The volatility assumption, measured at the standard deviation of expected share price movements, is based on a review of volatility used by listed companies in the same sector.



***Charge to the income statement***

The charge to the income statement, included with administrative expenses, comprises:

	<i>30 September 2014 £</i>	<i>30 September 2015 £</i>
Share-based payment charges	—	195,879

**PART V**  
**ADDITIONAL INFORMATION**

**1 The Company**

- 1.1 The Company was incorporated and registered as a private limited company in England and Wales under the Act on 26 April 2012 with the name New Portal Limited and with registered number 08047368. On 15 October 2012, the Company changed its name to New Broom Limited. On 10 December 2015, the Company was re-registered as a public limited company with the name Purplebricks Group plc.
- 1.2 The Company is a public limited company and accordingly the liability of its members is limited. The Company and its activities and operations are principally regulated by the Act and the regulations made thereunder and applicable laws relating to the activities of estate agents.
- 1.3 The Company is domiciled in England and Wales and its head and registered office is at Suite 7, Cranmore Place, Cranmore Drive, Shirley, Solihull, West Midlands, B90 4RZ. The telephone number of the Company is +44 (0)121 7444 8242.

**2 Share Capital**

- 2.1 The Company was incorporated with a share capital comprised of 100 ordinary shares with a nominal value of £1 each.
- 2.2 The following changes to the Company's share capital have taken place since incorporation:
- (a) on 16 May 2012:
    - (i) the share capital of the Company was increased to £10,000 and the ordinary shares were reclassified as 1,000,000 ordinary shares of £0.01 each;
    - (ii) the 1,000,000 ordinary shares with a nominal value of £0.01 each were re-classified into 790,000 B Ordinary Shares with a nominal value of £0.01 each and 210,000 A Ordinary Shares with a nominal value of £0.01 each; and
    - (iii) the Company allotted 120,000 A Ordinary Shares,
  - (b) on 24 July 2013, 20,000 A Ordinary Shares with a nominal value of £0.01 each were allotted and 443,300 B Ordinary Shares with a nominal value of £0.01 each were allotted with £1.95 paid up on each B Ordinary Share;
  - (c) on 9 August 2013, 60,000 A Ordinary Shares with a nominal value of £0.01 each were allotted with £7.50 paid up on each A Ordinary Share;
  - (d) on 5 April 2014:
    - (i) by special resolution the company adopted new articles of association setting out the rights and restrictions attaching to the Series Seed Shares in substitution and to the exclusion of the then existing articles of association;
    - (ii) 227,661 B Ordinary Shares and 140,000 Series Seed Shares were allotted under the authority that the directors had under article 55(1) of the then articles; and
    - (iii) 443,300 B Ordinary Shares of £0.01 each held by Michael Bruce were reclassified as 443,300 A Ordinary Shares;

- (e) on 11 April 2014, 4,000 B Ordinary Shares were allotted, on 29 April 2014 10,000 B Ordinary Shares were allotted, on 14 May 2014 1,333 B Ordinary Shares were allotted, on 23 May 2014 another 3,333 B Ordinary Shares were allotted and on 27 May 2014, 13,673 Series Seed Shares were allotted;
- (f) on 11 July 2014:
  - (i) a warrant agreement was entered into under which the warrant holder was entitled to be allotted on exercise of the warrants 5,267 ordinary shares of £0.01 each in the Company; and
  - (ii) a warrant agreement was entered into under which the warrant holder was entitled to be allotted on exercise of the warrants 11,483 ordinary shares of £0.01 each in the Company,
 (the **Warrants**);
- (g) on 5 August 2014:
  - (i) the directors were generally and unconditionally authorised for the purposes of section 551 of the 2006 Act to allot shares in the Company up to an aggregate nominal amount of £7,165.30, being 571,434 Series Seed Shares with a nominal value of £0.01 each, 13,530 B Ordinary Shares with a nominal value of £0.01 each and 131,566 C Ordinary Shares with a nominal value of £0.01 each;
  - (ii) the directors were authorised to apply £1,315.66, being part of the Company's share premium account, to capitalise and appropriate as capital to proposed holders of C Ordinary Shares and allot and issue such new C Ordinary Shares;
  - (iii) the shareholders authorised an investment pursuant to a subscription agreement by CF Woodford Investment Fund (through its depositary Northern Trust Global Services Limited) of £7,000,000 and the allotment and issue of 500,000 Series Seed Shares with a nominal value of £0.01 each in the Company to CF Woodford Investment Fund; and
  - (iv) the Company adopted articles of association, which, amongst other things, set out the rights and restrictions attaching to the C Ordinary Shares,
- (h) on 7 August 2014, 500,000 Series Seed Shares with a nominal value of £0.01 were allotted to CF Woodford Investment Fund as authorised under (g)(iii).
- (i) on 31 October 2014, 3,237 A Ordinary Shares, 9,603 B Ordinary Shares, 141,120 C Ordinary Shares and 58,588 Series Seed Shares were allotted to various shareholders in the Company and the share premium was applied to credit these shares as fully paid up;
- (j) on 2 July 2015 the Company adopted articles of association setting out the rights and restrictions attaching to the A Ordinary Shares, B Ordinary Shares, C Ordinary Shares, D ordinary shares, deferred shares and Series Seed Shares in substitution for and to the exclusion of the then existing articles of association; and
- (k) on 8 July 2015, 135,796 Series Seed Shares of £0.01 each were allotted with £73.64 paid up on each Series Seed Share;
- (l) on 6 November 2015, 69,328 D Ordinary Shares were allotted following exercise of options over D Ordinary Shares; and
- (m) on 19 November 2015, the Company reduced its share premium account from £22,296,928 to £3,296,928 by the cancellation of £19,000,000 of the amount standing to the credit of such account, in order to create distributable reserves to ensure that the Company satisfies the net asset requirement for a public company that its net assets are more than its paid up share capital and undistributable reserves.

- 2.3 The Company issued 213,271,069 bonus shares on 9 December 2015 to meet the minimum nominal share capital requirements in order for it to be re-registered as a public company and to reduce the value of an individual share to £1. Prior to the bonus issue, the 69,328 D Ordinary Shares were converted into 60,363 A Ordinary Shares and 8,965 deferred shares of £0.01 each, which were subsequently redeemed by the Company.
- 2.4 The Company was re-registered as a public limited company on 10 December 2015 and by a special resolution changed its name to Purplebricks Group plc.
- 2.5 Immediately prior to Admission, all shares in the Company will automatically convert into A Ordinary Shares in accordance with Article 8 of the Company's articles of association in force at the relevant time. The A Ordinary Shares will be re-designated as Ordinary Shares pursuant to the terms of an ordinary resolution of the Company passed on 9 December 2015. Following the conversion and re-designation, the issued share capital of the Company will be 215,259,152 Ordinary Shares.
- 2.6 Options over 42,637 A Ordinary Shares were granted on 9 January 2015, 43,801 options over A Ordinary Shares were granted on 10 July 2015, 6,300 options over A Ordinary Shares were granted on 10 August 2015 and 69,328 options over D Ordinary Shares were granted on 6 August 2015. 52,731 EMI options were then granted on 6 November 2015. These options, to the extent unexercised prior to Admission, will remain in place following Admission but will be over Ordinary Shares rather than A Ordinary Shares. This amendment to the terms of the options has been communicated to the holders of the options by a letter dated 1 December 2015. Following Admission, any options over vested option shares shall become exercisable in accordance with the terms of the agreement pursuant to which the options were granted.
- 2.7 The Warrants are freely exercisable in whole or in part by the holder or holders thereof prior to 10 January 2017, in the case of the Warrants referred to at paragraph 2.2(f)(i) above, and prior to 11 July 2019 in the case of the Warrants referred to at paragraph 2.2(f)(ii) above. The number of Warrants in issue and the exercise price payable of exercise of the Warrants was adjusted to take into account the impact of the Bonus Issue. The Warrants, to the extent unexercised prior to Admission, will remain in place following Admission. As at 10 December 2015 (being the latest practicable date prior to publication of this document), Warrants to subscribe for 484,421 Ordinary Shares remain unexercised.
- 2.8 The Company's issued share capital as at the date of this document is 215,259,152 Ordinary Shares (with an aggregate nominal value of £2,152,591.52) and will be immediately following Admission 240,259,152 Ordinary Shares (with an aggregate nominal value of £2,402,591.52). The new Placing Shares to be issued by the Company will be issued pursuant to shareholder resolutions passed on 9 December 2015 authorising the Directors to issue and allot 25,000,000 Ordinary Shares free from pre-emption.
- 2.9 By virtue of written resolutions passed by the requisite number of Shareholders on 9 December 2015, conditional on Admission becoming effective:
- (a) the Directors were generally and unconditionally authorised for the purpose of section 551 of the Act to exercise all powers of the Company to allot Ordinary Shares and grant rights to subscribe or convert any security into Ordinary Shares (such Ordinary Shares and rights to subscribe for or to convert any security into Ordinary Shares being relevant securities) up to an aggregate nominal amount of £800,863.84, with such authorisation to expire upon the earlier of the conclusion of the next annual general meeting and 15 months from the date of Admission (save that the Company may before such expiry make an offer or agreement which would or might require relevant securities allotted, or rights to be granted, after such expiry and the directors may allot relevant securities, in pursuance of such offer or agreement as if the authorisation conferred hereby had not expired); and

- (b) the Directors were generally empowered to allot equity securities (as defined in section 560 of the Act) pursuant to the authority referred to in paragraph (a), as if section 561(1) of the Act did not apply to any such allotment, provided that the power was:
    - (i) limited to the allotment of equity securities in connection with an offer of equity securities to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings to holders of other equity securities as required by the rights of these securities or as the directors otherwise consider necessary and so that the Directors could impose any limits or restrictions and make arrangements which they consider necessary or appropriate to deal with any treasury shares, fractional entitlements or securities represented by depositary receipts, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or the requirements of any regulatory body or stock exchange or any other matter;
    - (ii) limited to the allotment of equity securities up to an aggregate nominal amount of £120,129.58; and
    - (iii) to expire on the earlier of the conclusion of the next annual general meeting and 15 months from the date of Admission (unless renewed, varied or revoked by the Company prior to or on that date) save that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.
- 2.10 As at 10 December 2015 (being the latest practicable date prior to the publication of this document), the Directors did not have any present intention of exercising the authorities referred to in paragraphs (a) and (b) above.
- 2.11 Save as set out in this paragraph 2:
- (a) no unissued share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
  - (b) 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 force whereby future dividends are waived or agreed to be waived;
  - (c) there are no outstanding convertible securities issued by the Company; and
  - (d) no share capital or loan capital of the Company or any of its subsidiaries (other than intra-group issues by wholly-owned subsidiaries) is in issue and no such issue is proposed.
- 2.12 None of the Ordinary Shares have been sold or made available to the public in conjunction with the application for Admission.
- 2.13 The Ordinary Shares are in registered form and capable of being held in uncertificated form. Application has been made to Euroclear for the Ordinary Shares to be enabled for dealings through CREST as a participating security. No temporary documents of title will be issued. It is expected that definitive share certificates will be posted to those Shareholders who have requested the issue of Ordinary Shares in certificated form by 7 January 2016. The International Securities Identification Number (ISIN) for the Ordinary Shares is GB00BYV2MV74.
- 2.14 The Company has no financing facilities or any material outstanding indebtedness.

### **3 Subsidiary Undertakings**

The Company does not have any subsidiary undertakings.

#### **4 Summary of the Articles of Association of the Company**

The Articles, which were adopted to take effect immediately prior to Admission by a special resolution of the Company passed on 9 December 2015, contain, *inter alia*, provisions to the following effect:

##### **4.1 *Objects and purposes***

- (a) The Articles do not provide for any objects of the Company and accordingly the Company's objects are unrestricted.
- (b) The Articles do not provide for any purposes for which the Company was established.

##### **4.2 *Limited liability***

The liability of the Company's members is limited to the amount, if any, unpaid on their shares.

##### **4.3 *Share rights***

Subject to the provisions of the Act, and where the context requires, every other statute from time to time in force concerning companies and affecting the Company (the **Companies Acts**) and to any rights for the time being attached to any existing shares, any shares may be allotted or issued with, or have attached to them, such preferred, deferred, or other rights or restrictions, whether in regards to dividends, voting, transfer, return of capital or otherwise, as the Company may from time to time by ordinary resolution, determine or, if no such resolution has been passed, or so far as the resolution does not make specific provision, as the Board may determine.

##### **4.4 *Voting rights***

- (a) Subject to the provisions of the Companies Acts, to any special terms as to voting on which any shares may have been issued or may from time to time be held and to any suspension or abrogation of voting rights pursuant to the Articles, at a general meeting of the Company:
  - (i) every member who is present in person shall, on a show of hands, have one vote;
  - (ii) every proxy who has been appointed by one or more members entitled to vote on the resolution shall, on a show of hands, have one vote except that a proxy shall have one vote for and one vote against a resolution if the proxy has been appointed by more than one member and the proxy has been instructed by one or more members to vote for and by one or more other members to vote against the resolution, or one or more members have instructed the proxy to vote for the resolution and one or more members gave the proxy discretion as to how to vote and the proxy exercises that discretion by voting against the resolution, or one or more members have instructed the proxy to vote against the resolution and one or more members gave the proxy discretion as to how to vote and the proxy exercises that discretion by voting for the resolution; and
  - (iii) every member present in person or by proxy shall, on a poll, have one vote for each share of which he is a holder.

In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names of the holders stand in the register of members in respect of such share.

- (b) Unless the Board otherwise determines, no member is entitled to vote at a general meeting or at a separate meeting of the shareholders of any class of shares, either in person or by proxy (save as proxy for another member), or be reckoned in a quorum, or to exercise any other right or privilege as a member in respect of any share held by him: (i) unless and until he shall have paid all calls for the time being due and payable by him in respect of that share, whether alone or jointly with any other person, together with interest and expenses (if any) payable by such member to the Company; or (ii) if he, or any other person whom the Company reasonably believes to be interested in such shares, has been issued with a notice pursuant to the Companies Acts requiring such person to provide information about his interests in the Company's shares and has failed in relation to any such shares to give the Company the required information within 14 days.



#### 4.5 *Dividends*

- (a) Subject to the provisions of the Companies Acts and of the Articles, the Company may by ordinary resolution declare dividends to be paid to members according to their respective rights and interests in the profits of the Company. However, no dividend shall exceed the amount recommended by the Board.
- (b) Subject to the provisions of the Companies Acts, the Board may declare and pay such interim dividends (including any dividend payable at a fixed rate) as appears to the Board to be justified by the profits of the Company available for distribution. If at any time the share capital of the Company is divided into different classes, the Board may pay such interim dividends on shares which rank after shares conferring preferential rights with regard to dividend as well as on shares conferring preferential rights, unless at the time of payment any preferential dividend is in arrears. Provided that the Board acts in good faith, it shall not incur any liability to the holders of shares conferring preferential rights for any loss that they may suffer by the lawful payment of any interim dividend on any shares ranking after those preferential rights.
- (c) Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid but no amount paid up on a share in advance of the date on which a call is payable shall be treated for these purposes as paid up on the share. Subject as aforesaid, all dividends should be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend as from a particular date, it shall rank for dividend accordingly.
- (d) All dividends payable in respect of shares and unclaimed after having been declared and become payable may be invested or otherwise used by the Board for the benefit of the Company until claimed and the payment of any such dividend or other sum into a separate account does not make the Company a trustee in respect thereof. All dividends unclaimed for a period of 12 years after having become payable shall be forfeited and shall cease to remain owing by the Company.
- (e) The Board may, with the authority of an ordinary resolution of the Company, direct that payment of any dividend declared may be satisfied wholly or partly by the distribution of assets, and in particular of paid up shares or debentures of any other company, or in any one or more of such ways. Where any difficulty arises in regard to such distribution, the Board may settle it as it thinks fit.
- (f) The Board may also, with the prior authority of an ordinary resolution of the Company and subject to such terms and conditions as the Board may determine, offer to holders of Ordinary Shares (excluding any member holding Ordinary Shares as treasury shares) the right to elect to receive Ordinary Shares, credited as fully paid, instead of the whole (or some part, to be determined by the Board) of any dividend specified by the ordinary resolution.
- (g) Unless the Board otherwise determines, the payment of any dividend or other money that would otherwise be payable in respect of shares will be withheld if such shares represent at least 0.25 per cent. in nominal value of their class and the holder, or any other person whom the Company reasonably believes to be interested in those shares, has been duly served with a notice pursuant to the Companies Acts requiring such person to provide information about his interests in the Company's shares and has failed to supply the required information within 14 days. Furthermore such a holder shall not be entitled to elect to receive shares instead of a dividend.
- (h) If cheques, warrants or orders for dividends in respect of a share sent by the Company to the person entitled thereto through the post or through another method of payment including bank transfers or other electronic means) are returned to the Company or left uncashed during the period for which they are valid or payments by any other method have failed

(including where such payments have been rejected or refunded) on two consecutive occasions or, following one occasion, reasonable enquiries have failed to establish any new address to be used for the purpose, the Company is not obliged to send any dividends in respect of that share due to that person until he notifies the Company of an address to be used for the purpose.

#### 4.6 *Transfer of shares*

- (a) Subject to any applicable restrictions in the Articles, each member may transfer all or any of his shares which are in certificated form by instrument of transfer in writing in any usual form or in any form approved by the Board. Such instrument must be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee. The transferor is deemed to remain the holder of the share until the transferee's name is entered in the register of members. All instruments of transfer which are registered may be retained by the Company.
- (b) The Board may, in its absolute discretion, refuse to register any transfer of a share (or renunciation of a renounceable letter of allotment) unless:
  - (i) it is in respect of a share which is fully paid up;
  - (ii) it is in respect of only one class of shares;
  - (iii) it is in favour of a single transferee or not more than four joint transferees;
  - (iv) it is duly stamped (if so required); and
  - (v) it is delivered for registration to the registered office for the time being of the Company or such other place as the Board may from time to time determine, accompanied (except in the case of: (a) a transfer by a recognised person where a certificate has not been issued; (b) a transfer of an uncertificated share; or (c) a renunciation) by the certificate for the share to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor or person renouncing and the due execution of the transfer or renunciation by him or, if the transfer or renunciation is executed by some other person on his behalf, the authority of that person to do so,

provided that the Board shall not refuse to register a transfer or renunciation of a partly paid share on the grounds that it is partly paid in circumstances where such refusal would prevent dealings in such share from taking place on an open and proper basis on the market on which such share is admitted to trading. The Board may refuse to register a transfer of an uncertificated share in such other circumstances as may be permitted or required by the regulations and the relevant system.

- (c) Unless the Board otherwise determines, a transfer of shares will not be registered if the transferor or any other person whom the Company reasonably believes to be interested in the transferor's shares has been duly served with a notice pursuant to the Companies Acts requiring such person to provide information about his interests in the Company's shares, has failed to supply the required information within 14 days and the shares in respect of which such notice has been served represent at least 0.25 per cent. in nominal value of their class, unless the member is not himself in default as regards supplying the information required and proves to the satisfaction of the Board that no person in default as regards supplying such information is interested in any of the shares the subject of the transfer, or unless such transfer is by way of acceptance of a takeover offer, in consequence of a sale on a recognised stock exchange or is in consequence of a bona fide sale to an unconnected party.
- (d) If the Board refuses to register a transfer of a share, it shall send the transferee notice of its refusal, together with its reasons for refusal, as soon as practicable and in any event within two months after the date on which the transfer was lodged with the Company.
- (e) No fee shall be charged for the registration of any instrument of transfer or any other document relating to or affecting the title to any share.

#### **4.7 *Alteration of share capital***

- (a) The Company may exercise the powers conferred by the Companies Acts to:
  - (i) increase its share capital by allotting new shares of such nominal value as the Board may determine and unless otherwise prescribed in the appropriate resolution of the Company, all such shares shall be subject to the provisions of the Companies Acts and the Articles with reference to allotment, payment of calls, forfeiture, lien, transfer, transmission and otherwise;
  - (ii) reduce its share capital;
  - (iii) sub-divide or consolidate and divide all or any of its share capital;
  - (iv) reconvert stock in share;
  - (v) redenominate all or any of its shares and reduce its share cap in connection with such a redenomination.

#### **4.8 *Variation of rights***

- (a) Subject to the provisions of the Companies Acts, if at any time the share capital of the Company is divided into shares of different classes, any of the rights for the time being attached to any shares may be varied or abrogated in such manner (if any) as may be provided in the Articles by such rights or, in the absence of any such provision, either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of the relevant 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 the holders of the class.
- (b) The quorum at any such meeting shall be not less than two persons present (in person or by proxy) holding at least one-third of the nominal amount paid up on the issued shares of the relevant class (excluding any shares of that class held as treasury shares) and at an adjourned meeting not less than one person holding shares of the relevant class or his proxy.
- (c) Subject to the terms of issue of or rights attached to any shares, the rights for the time being attached to any shares shall be deemed not to be varied or abrogated by the creation or issue of any new shares ranking *pari passu* in all respects (save as to the date from which such new shares shall rank for dividend) with or subsequent to those already issued or by the reduction of the capital paid up on such shares or by the purchase or redemption by the Company of its own shares or the sale of any shares held as treasury shares in accordance with the provisions of the Companies Acts and the Articles.

#### **4.9 *General meetings***

- (a) The Board may convene a general meeting (which is not an annual general meeting) whenever it thinks fit.
- (b) A general meeting shall be convened by such notice as may be required by law from time to time.
- (c) The notice shall specify whether the meeting is convened as an annual general meeting or any other general meeting, the day, time and place of the meeting and the general nature of the business to be transacted at the meeting. In the case of a meeting convened to pass a special resolution, the notice shall include the text of the resolution and specify the intention to propose the resolution as a special resolution. The notice shall specify that a member entitled to attend and vote is entitled to appoint one or more proxies (provided each proxy is appointed to exercise the rights attached to a different share held by the member) to attend and to speak and vote instead of the member and that a proxy need not also be a member. The notice must be given to the members (other than any who, under the provisions of the Articles or of any restrictions imposed on any shares, are not entitled to receive notice from the

Company), to the Directors and the Auditors and to any other person who may be entitled to receive it. The accidental omission to give notice to, or the non-receipt of notice by, any person entitled to receive the same, shall not invalidate the proceedings at the meeting.

- (d) The right of a member to participate in the business of any general meeting shall include without limitation the right to speak, vote, be represented by a proxy or proxies and have access to all documents which are required by the Companies Acts or the Articles to be made available at the meeting.
- (e) A Director shall, notwithstanding that he is not a member, be entitled to attend and speak at any general meeting. The Chairman of any general meeting may also invite any person to attend and speak at that meeting if he considers that this will assist in the deliberations of the meeting.
- (f) No business shall be transacted at any general meeting unless a quorum is present. Subject to the Articles, two persons (either members, duly authorised representatives or proxies) entitled to vote upon the business to be transacted at the meeting shall be a quorum. The Chairman of the meeting may, with the consent of the meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn the meeting from time to time (or indefinitely) and from place to place as the meeting shall determine. Where a meeting is adjourned indefinitely, the Board shall fix a time and place for the adjourned meeting. Whenever a meeting is adjourned for 30 days or more or indefinitely, seven clear days' notice at the least, specifying the place, the day and time of the adjourned meeting and the general nature of the business to be transacted, must be given in the same manner as in the case of the original meeting.
- (g) A resolution put to a vote of the meeting shall be decided on a show of hands unless a poll is duly demanded. Subject to the provisions of the Companies Acts, a poll may be demanded by the Chairman, at least five members having the right to vote on the resolution, a member or members representing not less than 10 per cent. of the total voting rights of all the members having the right to vote on the resolution or a member or members holding shares conferring the right to vote on the resolution, being shares on which an aggregate sum has been paid up equal to not less than 10 per cent. of the total sum paid up on all the shares conferring that right.
- (h) The Board may, for the purpose of controlling the level of attendance and ensuring the safety of those attending at any place specified for the holding of a general meeting, from time to time make such arrangements as the Board shall in its absolute discretion consider to be appropriate and may from time to time vary any such arrangements or make new arrangements in place thereof. The entitlement of any member or proxy to attend a general meeting at such place shall be subject to any such arrangements as may be for the time being approved by the Board. In the case of any meeting to which such arrangements apply the Board may, when specifying the place of the meeting:
  - (i) direct that the meeting shall be held at a place specified in the notice at which the chairman of the meeting shall preside (being the **principal place**); and
  - (ii) make arrangements for simultaneous attendance and participation at satellite meeting places or by way of any other electronic means by members otherwise entitled to attend the general meeting or who wish to attend at satellite meeting places or other places at which persons are participating by electronic means, provided that persons attending at the principal place and at satellite meeting places or other places at which persons are participating by electronic means shall be able to see, hear and be seen and heard by, persons attending at the principal place and at such other places, by any means.

Such arrangements for simultaneous attendance at such other places may include arrangements for controlling the level of attendance in any manner aforesaid at any of such other places, provided that they shall operate so that any excluded members are able to attend at one of the satellite meeting places or other places at which persons are participating by electronic means. Any such meeting shall be treated as taking place at and being held at the principal place.

- (i) The Board may direct that any person wishing to attend any meeting should provide evidence of identity and submit to such searches or other security arrangements or restrictions as the Board shall consider appropriate in the circumstances and shall be entitled in its absolute discretion to refuse entry to any meeting to any person who fails to provide such evidence of identity or to submit to such searches or to otherwise comply with such security arrangements or restrictions.

#### **4.10 *Issue of shares***

- (a) Subject to the provisions of the Companies Acts and to any rights for the time being attached to any existing shares, any shares may be allotted or issued with or have attached to them such preferred, deferred or other rights or restrictions, whether in regard to dividend, voting, transfer, return of capital or otherwise, as the Company may from time to time by ordinary resolution determine or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the Board may determine, and any share may be issued which is, or at the option of the Company or the holder of such share is liable to be, redeemed in accordance with the Articles or as the Directors may determine.
- (b) Subject to the provisions of the Companies Acts and to any relevant authority of the Company required by the Companies Acts, any new shares shall be at the disposal of the Board.

#### **4.11 *Directors' fees***

- (a) The Directors (other than alternate Directors) shall be entitled to receive by way of fees for their services as Directors such sum as the Board (or any committee authorised by the Board) may from time to time determine. Such sum (unless otherwise directed by the resolution of the Company by which it is voted) shall be divided among the Directors in such proportions and in such manner as the Board, or any committee authorised by the Board, may determine or, in default of such determination, equally (except that in such event any Director holding office for less than the whole of the relevant period in respect of which the fees are paid shall only rank in such division in proportion to the time during such period for which he holds office). Any fees so payable shall be distinct from any salary, remuneration or other amounts payable to a Director pursuant to the Articles or otherwise and shall accrue from day to day.
- (b) The salary or remuneration of any Director appointed to hold any employment or executive office may be either a fixed sum of money, or may altogether or in part be governed by business done or profits made or otherwise determined by the Board or any committee authorised by the Board and may be in addition to or in lieu of any fee payable to him for his services as Director.
- (c) The Directors are entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by them in or about the performance of their duties as Directors.

#### **4.12 *Pensions and gratuities for Directors***

The Board, or any committee authorised by the Board, may exercise all the powers of the Company to provide pensions, other retirement or superannuation benefits, death or disability benefits or other allowances or gratuities for persons who are or were directors of the Company or any company in the Company and their relatives and dependants.

#### **4.13 *Directors' interests***

- (a) The Board may authorise any matter proposed to it in accordance with the Articles which would otherwise involve a breach by a Director of his duty to avoid conflicts of interest under the Companies Acts, including any matter which relates to a situation in which a Director has or can have an interest which conflicts, or possibly may conflict, with the interests of the Company (including the exploitation of any property, information or opportunity, whether or not the Company could take advantage of it but excluding any situation which cannot reasonably be regarded as likely to give rise to a conflict of interest). This does not apply to a conflict of interest arising in relation to a transaction or arrangement with the Company.



Any authorisation will only be effective if any quorum requirement at any meeting in which the matter was considered is met without counting the Director in question or any other interested Director and the matter was agreed to without their voting or would have been agreed to if their votes had not been counted. The Board may impose limits or conditions on any such authorisation or may vary or terminate it at any time.

- (b) Subject to having, where required, obtained authorisation of the conflict from the Board, a Director shall be under no duty to the Company with respect to any information which he obtains or has obtained otherwise than as a Director of the Company and in respect of which he has a duty of confidentiality to another person and will not be in breach of the general duties he owes to the Company under the Companies Acts because he fails to disclose any such information to the Board or to use or apply any such information in performing his duties as a Director, or because he absents himself from meetings of the Board at which any matter relating to a conflict of interest, or possible conflict of interest is discussed, and/or makes arrangements not to receive documents or information relating to any matter which gives rise to a conflict of interest or possible conflict of interest and/or makes arrangements for such documents and information to be received and read by a professional adviser.
- (c) Provided that his interest is disclosed at a meeting of the Board, or in the case of a transaction or arrangement with the Company, in the manner set out in the Companies Acts, a Director, notwithstanding his office:
  - (i) may be a party to or otherwise be interested in any transaction arrangement or proposal with the Company or in which the Company is otherwise interested;
  - (ii) may hold any other office or place of profit at the Company (except that of auditor of the Company or any of its subsidiaries) and may act by himself or through his firm in a professional capacity for the Company, and in any such case on such terms as to remuneration and otherwise as the Board may arrange;
  - (iii) may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any company promoted by the Company or in which the Company is otherwise interested or as regards which the Company has powers of appointment; and
  - (iv) shall not be liable to account to the Company for any profit, remuneration or other benefit realised by any office or employment or from any transaction, arrangement or proposal or from any interest in any body corporate. No such transaction, arrangement or proposal shall be liable to be avoided on the grounds of any such interest or benefit nor shall the receipt of any such profit, remuneration or any other benefit constitute a breach of his duty not to accept benefits from third parties.
- (d) A Director need not declare an interest in the case of a transaction or arrangement with the Company if the other Directors are already aware, or ought reasonably to be aware, of the interest or it concerns the terms of his service contract that have been or are to be considered at a meeting of the Directors or a committee of the Directors or if the interest consists of him being a director, officer or employee of a company in which the Company is interested.
- (e) The Board may cause the voting rights conferred by the shares in any other company held or owned by the Company or any power of appointment to be exercised in such manner in all respects as it thinks fit and a Director may vote on and be counted in the quorum in relation to any of these matters.

#### **4.14 *Restrictions on Directors' voting***

- (a) A Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board or of a committee of the Board concerning any transaction or arrangement which is to his knowledge a material interest and, if he purports to do so, his vote will not be counted, but this prohibition shall not apply in respect of any resolution concerning any one or more of the following matters:



- (i) any transaction or arrangement in which he is interested by means of an interest in shares, debentures or other securities or otherwise in or through the Company;
  - (ii) the giving of any guarantee, security or indemnity in respect of money lent to, or obligations incurred by him or any other person at the request of or for the benefit of, the Company or any of its subsidiary undertakings;
  - (iii) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
  - (iv) the giving of any other indemnity where all other Directors are also being offered indemnities on substantially the same terms;
  - (v) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
  - (vi) any proposal concerning any other body corporate in which he does not to his knowledge have an interest (as the term is used in Part 22 of the Act) in 1 per cent. or more of the issued equity share capital of any class of such body corporate (calculated exclusive of any shares of that class in that company held as treasury shares) nor to his knowledge hold 1 per cent. or more of the voting rights which he holds as shareholder or through his direct or indirect holding of financial instruments (within the meaning of the Disclosure and Transparency Rules) in such body corporate;
  - (vii) any proposal relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates;
  - (viii) any proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons who include Directors;
  - (ix) any proposal concerning the funding of expenditure by one or more Directors on defending proceedings against him or them, or doing anything to enable such Director or Directors to avoid incurring such expenditure; or
  - (x) any transaction or arrangement in respect of which his interest, or the interest of Directors generally has been authorised by ordinary resolution.
- (b) A Director shall not vote or be counted in the quorum on any resolution of the Board or committee of the Board concerning his own appointment (including fixing or varying the terms of his appointment or its termination) as the holder of any office or place of profit with the Company or any company in which the Company is interested.

#### **4.15 *Number of Directors***

Unless and until otherwise determined by an ordinary resolution of the Company, the number of Directors (other than any alternate Directors) shall not be less than two but there shall be no maximum.

#### **4.16 *Directors' appointment and retirement***

- (a) Directors may be appointed by the Company by ordinary resolution or by the Board. If appointed by the Board, a Director holds office only until the next annual general meeting and shall not be taken into account in determining the number of Directors who are to retire by rotation.

- (b) At each annual general meeting of the Company, one-third of the Directors or, if their number is not three or a multiple of three, the number nearest to but not exceeding one-third shall retire from office by rotation. If there are fewer than three Directors, one Director shall retire from office.
- (c) Any Director shall retire at the first annual general meeting of the Company following his appointment and shall not be taken into account in determining the number of Directors who are to retire by rotation at that meeting. At each annual general meeting, any Director who was elected or last re-elected at or before the annual general meeting held in the third calendar year before the current year shall retire by rotation.
- (d) Any Director (other than any Director holding executive office) who would not otherwise be required to retire shall also retire if he has been with the Company for a continuous period of nine years or more at the date of the meeting and shall not be taken into account when deciding which and how many Directors should retire by rotation at the annual general meeting.
- (e) A Director who retires at an annual general meeting (whether by rotation or otherwise) shall be eligible for re-election and a director who is re-elected will be treated as continuing in office without a break. If he is not re-elected or deemed to have been re-elected, a Director shall retain office until the meeting appoints someone in his place or, if it does not do so, until the end of the meeting.

#### **4.17 *Proceedings of the Board***

Subject to the provisions of the Articles, the Board may meet for the despatch of business, adjourn and otherwise regulate its proceedings as it thinks fit. One Director, or the Company Secretary at the request of a Director, can summon a Board meeting at any time on reasonable notice. Notice of a Board meeting shall be deemed to have been given to a Director if it is given to him personally or by word of mouth or sent in writing to him at his last known address. A Director may waive the requirement that notice be given to him of any Board meetings, either prospectively or retrospectively. The quorum necessary for the transaction of business may be determined by the Board and until otherwise determined, shall be two persons, each being a Director or an alternate Director.

#### **4.18 *Untraced shareholders***

Subject to the Articles, the Company may sell any shares registered in the name of a member remaining untraced for 12 years who fails to communicate with the Company following advertisement of an intention to make such a disposal. Until the Company can account to the member, the net proceeds of sale will be available for use in the business of the Company or for investment, in either case at the discretion of the Board. The proceeds will not carry interest.

#### **4.19 *Non-UK shareholders***

There are no limitations in the Articles on the rights of non-UK shareholders to hold, or to exercise voting rights attached to, the Ordinary Shares. However, non-UK shareholders are not entitled to receive notices of general meetings unless they have given an address in the UK to which such notices may be sent or, subject to and in accordance with the Companies Acts, an address to which notices may be sent in electronic form.

#### **4.20 *CREST***

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Articles are consistent with CREST membership and, amongst other things, allow for the holding and transfer of shares in uncertificated form. The Articles contain other provisions in respect of transactions with the shares in the Company in uncertificated form and generally provide for the modifications of certain provisions of the Articles so that they can be applied to transactions with shares in the Company in uncertificated form.

#### **4.21 *Indemnity of officers and insurance***

- (a) Subject to the provisions of the Companies Acts, but without prejudice to any indemnity to which he might otherwise be entitled, every person who is or was at any time a Director or an officer of the Company or a director or officer of an associated company (except the Auditors or the auditors of an associated company) may at the discretion of the Board be entitled to be indemnified out of the assets of the Company against all costs, charges, losses, damages and liabilities incurred by him for negligence, default, breach of duty, breach of trust or otherwise in relation to the affairs of the Company or of an associated company, or in connection with the activities of the Company, or of an associated company, as a trustee of an occupational pension scheme (as defined in section 235(6) CA 2006).
- (b) Subject to the provisions of the Companies Acts, the Company may at the discretion of the Board provide any person who is or was at any time a Director or officer of the Company or a director or officer of an associated company (except the Auditors or the auditors of an associated company) with funds to meet expenditure incurred or to be incurred by him (or to enable such Director or officer to avoid incurring such expenditure) in defending any criminal or civil proceedings or defending himself in any investigation by, or against action proposed to be taken by, a regulatory authority or in connection with any application under the provisions referred to in section 205(5) CA 2006.
- (c) In addition the Board may purchase and maintain insurance at the expense of the Company for the benefit of any such person indemnifying him against any liability or expenditure incurred by him for acts or omissions as a Director or officer of the Company (or of an associated company).

#### **4.22 *Lien and forfeiture***

- (a) The Company shall have a first and paramount lien on every share which is not fully paid for all amounts (whether presently payable or not) called or payable at a fixed time in respect of that share to the extent and in the circumstances permitted by the Companies Acts. The Board may sell any share on which the Company has a lien if a sum in respect of which the lien exists is presently payable and is not paid within 14 clear days after notice has been sent to the holder of the share demanding payment and stating that if the notice is not complied with the share may be sold.
- (b) The Board may sell all or any of the shares subject to any lien at such time or times and in such manner as it may determine. However, no sale shall be made until such time as any money in respect of which such lien exists is presently payable or the liability or engagement in respect of which such lien exists is liable to be presently fulfilled or discharged, and until notice in writing shall have been served on the holder or the person (if any) entitled by transmission to the shares, demanding the amount due or specifying the liability or engagement and demanding payment or fulfilment or discharge thereof and giving notice of intention to sell if default in payment, fulfilment or discharge shall continue for 14 clear days after service of such notice.
- (c) For giving effect to any such sale as is referred to in (b) above:
  - (i) in the case of a share in certificated form, the Board may authorise any person to execute an instrument of transfer of the share to the purchaser of the share or a person nominated by the purchaser of the share and take such other steps (including the giving of directions to or on behalf of the holder, who shall be bound by them) as it thinks fit to effect the transfer; and
  - (ii) in the case of a share in uncertificated form, the Board may, to enable the Company to deal with the share in accordance with paragraph (b) and (c), require the operator of a relevant system to convert the share into certificated form, and after such conversion, authorise any person to execute an instrument of transfer and take such other steps (including the giving of directions to or on behalf of the holder, who shall be bound by them) as they think fit to effect the transfer.

#### 4.23 *Conversion provisions*

The Articles do not contain any provisions relating to conversion of the Ordinary Shares.

### 5 **Directors and Employees**

5.1 The Directors and each of their respective functions are set out in Part I of this document.

5.2 The business address of the Directors is Suite 7, Cranmore Place, Cranmore Drive, Shirley, Solihull, West Midlands, B90 4RZ.

5.3 Details of the length of service of each of the Directors to date in their current office are set out below:

<i>Name</i>	<i>Age</i>	<i>Commencement date in office</i>
Michael Bruce	42	23 July 2013
Neil Cartwright	48	1 January 2015
Nick Discombe	53	6 August 2014
Paul Pindar	56	6 August 2014
William Whitehorn	55	31 July 2013

5.4 Details of any directorship that is or was in the last five years held by each of the Directors, and any partnership of which each of the Directors is or was in the last five years a member in addition to their directorships of the Company and its subsidiary undertakings are set out below:

<i>Name</i>	<i>Current Directorships/memberships</i>	<i>Previous Directorships/memberships</i>
Michael Bruce	Innovative Code Limited	Burchell Edwards (Midlands) Limited Burchell Edwards Financial Services (Midlands) Limited Burchell Edwards Lettings Limited JKM Property Solutions (UK) Limited
Neil Cartwright		Entrust Support Services Limited Micro Librarian Systems Limited Micro Librarian Systems Holdings Limited Right Document Solutions Limited Right Document Solutions Holdings Limited Service Birmingham Limited Synaptic Software Limited
Nick Discombe	Accelerating Value LLP Accelerating Value Member Limited Indigo Parent Limited Perennial Newco Ltd Webtrekk GmbH	12Pay Ltd Accounts Office Online Ltd Alveston Holdings Ltd ATW Information Technology Systems Ltd Blue Minerva Ltd CSG Midco Ltd Drummohr Technology Ltd FNZ Limited Guildford Equityco Ltd Guildford Guaranteeco Ltd H&F Sensor Equityco Ltd Intex (Radiographic) Ltd IRIS Business Software Ltd IRIS Capital Ltd IRIS Financials Ltd IRIS Group Ltd IRIS Holdings Ltd IRIS Lending Ltd IRIS Payroll Software Ltd

<i>Name</i>	<i>Current Directorships/memberships</i>	<i>Previous Directorships/memberships</i>
		IRIS Payroll Solutions Ltd IRIS Resourcing Ltd IRIS Software Ltd IRIS Software Group Ltd IRIS Solutions Ltd Intex (Radiographic) Ltd Kashflow Software Ltd Lumesse Global Ltd Professional Tax Practice Ltd PTP Software Development Ltd PTP Software Ltd Rival Software Ltd Software (Holdco 2) Ltd Software (Holdco 4) Ltd Software (Holdco 5) Ltd Spoton Software Ltd TBX Solutions Ltd The Benefit Express Ltd Thomsons Online Benefits Ltd Transaction Technology Trustees Ltd Websmiths Group Ltd
Paul Pindar	Indigo Parent Limited Indigo Manco Limited International Travel Connections Limited Regent Holidays (U.K.) Limited Superlarge Limited Turnstone Bidco 1 Limited Turnstone Equityco 1 Limited Turnstone Management Investments Limited Turnstone Midco 1 Limited Turnstone Midco 2 Limited Western & Oriental Travel Limited	Capita Business Services Limited Capita Holdings Limited Capita Group Secretary Limited  Capita plc  Capita Corporate Director Limited Capita Symonds Limited (Northern Ireland Branch)
William Whitehorn	Aitken Dott Limited Crowd Reactive Limited Illustrated London News Limited Jubilee Film Partnership LLP Scottish Exhibition Centre Limited Speed Communications Agency Limited Stagecoach Group plc STFC Innovations Limited Transport Systems Catapult Limited Transport Systems Catapult Services Limited Will Whitehorn Consultancy Limited	Galactic Holdings Limited Loewy Group Limited Next Fifteen Communications Group plc  Virgin Galactic Limited

5.5 Michael Bruce was a director of Be Moved Limited (company number 05751900) and Cornerstone The Midlands Limited (company number 03095041) when the companies entered administration on 11 November 2008. The assets of the companies were sold to Burchell Edwards (Midlands) Limited on 31 October 2008. Michael Bruce was a director and shareholder of Burchell Edwards (Midlands) Limited until it was sold to Connells estate agency in November 2011. Be Moved Limited was dissolved on 27 July 2010 and Cornerstone The Midlands Limited was dissolved on 29 January 2011. Michael Bruce was not the subject of public criticism in connection with the administrations.

5.6 Save as disclosed in paragraph 5.5 above, at the date of this document none of the Directors named in this document:

- (a) has any unspent convictions in relation to indictable offences;
- (b) has been declared bankrupt or has entered into an individual voluntary arrangement;
- (c) was a director of any company at the time of or within the 12 months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors with which such company was concerned;
- (d) was a partner in a partnership at the time of or within the 12 months preceding a compulsory liquidation, administration or partnership voluntary arrangement of such partnership;
- (e) has had his assets the subject of any receivership or was a partner in a partnership at the time of or within the 12 months preceding any assets thereof being the subject of a receivership; or
- (f) has been the subject of any public criticisms by any statutory or regulatory authority (including any recognised professional body) nor 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 any company.

5.7 Details of the number of the Company's employees for the period covered by the financial information set out in Part III are as follows:

<i>Period</i>	<i>Average number of employees</i>
Financial year ended 30 April 2015	48
Financial year ended 30 April 2014	15
Financial year ended 30 April 2013	7
Five months ended 30 September 2015	85

5.8 As at 30 November 2015, the employees of the Company were employed as follows:

Executive Directors	2
Senior management and other senior employees	9
Other	97

5.9 The directors of the Company during the financial year ended 30 April 2015 were Michael Bruce, Neil Cartwright, Kenneth Bruce, James Kydd, William Whitehorn, Nenad Marovac, Paul Pindar, Nick Discombe and Matthew Farrow.



## 6 Directors' and Other Interests

- 6.1 The interests of the Directors, their immediate families and any persons connected with them (within the meaning of section 252 of the Act) (all of which, unless otherwise stated, are beneficial) in the issued share capital of the Company as at the date of this document and as they are expected to be prior to and immediately following Admission are/will be as follows:

<i>Name</i>	<i>Prior to Admission<sup>1</sup></i>		<i>Following Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of current issued Ordinary Shares</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Enlarged Ordinary Share Capital</i>
Michael Bruce	51,517,225	23.93%	40,917,225	17.03%
Neil Cartwright	833,715	0.39%	—	—
Paul Pindar	10,720,281	4.98%	10,720,281	4.46%
Nick Discombe	8,361,733	3.88%	6,412,788	2.67%
William Whitehorn	1,632,350	0.76%	1,088,269	0.45%

- 1 The number of Ordinary Shares and percentage of the Company's share capital held as shown in this table take into account the effects of the Share Capital Reorganisation.

- 6.2 Options over the Ordinary Shares are held by the Directors on Admission as set out below:

<i>Name</i>	<i>Number of Options</i>	<i>Percentage of current issued Share Capital</i>	<i>Exercise price (in pence per Ordinary Share)</i>	<i>Exercise Period</i>	
Michael Bruce	2,430,551	1.13%	£0.01	6 Nov 2016	6 Nov 2025
Neil Cartwright	695,990	0.32%	£0.01	9 Jan 2016 <sup>1</sup>	9 Jan 2025
	1,245,159	0.58%	£0.1293	10 Jul 2016 <sup>1</sup>	10 Jul 2025
	917,845	0.43%	£0.01	6 Nov 2016	6 Nov 2025

- 1 The Directors exercised their discretion to allow early exercise of certain options from 2 December 2015.

- 6.3 Save as disclosed in paragraphs 6.1, 6.2 above, none of the Directors nor any member of his immediate family nor any person connected with him (within the meaning of section 252 of the Act) holds or is beneficially or non-beneficially interested, directly or indirectly, in any shares or options to subscribe for, or securities convertible into, shares of the Company or any of its subsidiary undertakings.
- 6.4 In addition to the interests of the Directors set out in paragraph 6.1 above, as at the date of this document, insofar as is known to the Company, the following persons are, or will at Admission be, interested in three per cent. or more of the issued share capital of the Company.

<i>Name</i>	<i>Prior to Admission<sup>1</sup></i>		<i>Following Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of current issued Ordinary Shares</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Enlarged Ordinary Share Capital</i>
Nortrust Nominees Limited <sup>2</sup>	57,077,999	26.52%	47,811,571	19.90%
Nortrust Nominees Limited <sup>3</sup>	8,822,009	4.10%	21,101,653	8.78%
Kenny Bruce	15,037,303	6.99%	12,137,303	5.05%
DN Capital – Global Venture				
Capital III LP	12,909,163	6.00%	6,454,581	2.69%
MLC50 LP Inc	6,765,980	3.14%	3,044,691	1.27%
Old Mutual GI	—	—	16,650,000	6.53%
Artemis Asset Management Ltd	—	—	11,300,000	4.43%
FIL Investments International	—	—	8,705,750	3.41%

- 1 The number of Ordinary Shares and percentage of the Company's share capital held as shown in this table take into account the effects of the Share Capital Reorganisation.

- 2 Nortrust Nominees Limited holds the Ordinary Shares as nominee for CF Woodford Investment Fund.

- 3 Nortrust Nominees Limited holds the Ordinary Shares as nominee for Woodford Patient Capital Trust plc.

- 6.5 Save as disclosed in this document, there are no persons, so far as the Company is aware, who are or will be immediately following Admission interested in three per cent. or more of the Company's issued Enlarged Ordinary Share Capital, nor, so far as the Company is aware, are there any persons who at the date of this document or immediately following Admission, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.
- 6.6 Save as disclosed in this document, there are no arrangements known to the Company, the operation of which may at a subsequent date result in a change in control of the Company.
- 6.7 The Company's share capital consists of one class of Ordinary Shares with equal voting rights (subject to the Articles). No major Shareholder of the Company has any different voting rights from the other Shareholders.
- 6.8 Save as disclosed in this document, no Director is or has been interested in any transactions which are or were unusual in their nature or conditions or significant to the business of the Company or the Company during the current or immediately preceding financial year or which were effected during any earlier financial year and remain in any respect outstanding or unperformed.
- 6.9 Save as disclosed in this document, there are no outstanding loans or guarantees provided by the Company or the Company or to or for the benefit of any of the Directors.
- 6.10 Save as disclosed in Part III of this document, there have been no related party transactions of the kind set out in the Standards adopted according to the Regulation (EC) No 1606/2002 that the Company has entered into since 1 May 2013.
- 6.11 No Director nor any member of his immediate family nor any person connected with him (within the meaning of section 252 of the Act) has a Related Financial Product (as defined in the AIM Rules for Companies) referenced to Ordinary Shares.
- 6.12 Directors' Service Agreements

(a) ***Michael Bruce Service Agreement***

Michael Bruce is employed as Chief Executive Officer of the Company pursuant to the terms of a service agreement between him and the Company dated 3 December 2015. Pursuant to the terms of the service agreement, Michael Bruce shall receive a gross salary of £150,000 per annum (which is subject to review from time to time by the Remuneration Committee (no less frequently than once in respect of each financial year of the Company) and any remuneration policy of the Company in force from time to time). Michael Bruce is also:

- (i) eligible to participate in a directors and officers insurance policy;
- (ii) eligible to receive a bonus in respect of each financial year of the Company during which his employment subsists. Any such bonus is subject to the discretion of the Remuneration Committee, any remuneration policy of the Company in force from time to time and the rules of any relevant bonus scheme. Where Michael Bruce's employment is terminated for a reason other than those set out in the summary termination clause of his service agreement, the Remuneration Committee may resolve that Michael Bruce will receive a bonus which is *pro rata* to reflect the portion of the bonus year which has elapsed to the termination date;
- (iii) entitled to 29 days' holiday plus all bank and public holidays normally observed in England; and
- (iv) eligible to receive sick pay of two months' full basic salary in any rolling 12 month period.

No provision for retirement or death in service benefits will be made by the Company for Michael Bruce. The Company will be required to automatically enrol its "eligible jobholders" into a pension scheme that meets the minimum criteria specified by legislation by 1 April 2017.

Michael Bruce's employment is terminable by either the Company or Michael Bruce on 12 months' notice. The Company has the ability to terminate Michael Bruce's employment with immediate effect by making a payment in lieu of notice to him which shall (subject to (a)(ii) above) ordinarily consist of basic salary only. This payment can be made as a lump sum or by instalments over the unexpired period of notice. If the Company elects to make such payment in instalments Michael Bruce has agreed to seek to mitigate his losses. Alternatively, the Company is entitled to put Michael Bruce on garden leave during any period of notice. During any period of garden leave, he will ordinarily be entitled to receive (subject to the rules of any share incentive arrangements) his salary and his benefits in the normal manner excluding bonus or share incentives. Where Michael Bruce works his notice, he will be entitled to receive his basic salary and benefits in the normal manner.

(b) ***Neil Cartwright Service Agreement***

Neil Cartwright is employed as Company Secretary and Chief Financial Officer pursuant to the terms of a service agreement between him and the Company dated 3 December 2015. He is also required to attend meetings of the Audit Committee of the Company. Pursuant to the terms of the service agreement, Neil Cartwright is entitled to receive a gross salary of £125,000 per annum (which is subject to review from time to time by the Remuneration Committee (no less frequently than once in respect of each financial year of the Company) and any remuneration policy of the Company in force from time to time). The other principal terms of Neil Cartwright's service agreement are the same as the service agreement entered into with Michael Bruce, as summarised in paragraph (a) above.

6.13 Non-Executive Director Letters of Appointment

(a) ***Paul Pindar Letter of Appointment***

Pursuant to the terms of a letter of appointment dated 3 December 2015, Mr Pindar has agreed to act as Non-Executive Chairman of the Company (and chairman of the Nomination Committee and Audit Committee) for an annual gross fee of £30,000. This appointment is for an initial term of three years commencing with effect from and conditional on Admission and is terminable at any time by either party giving to the other not less than three months' prior notice in writing.

(b) ***Nick Discombe Letter of Appointment***

Pursuant to the terms of a letter of appointment dated 3 December 2015, Mr Discombe has agreed to act as Senior Non-Executive Director of the Company (and chairman of the Remuneration Committee and member of the Nomination Committee and Audit Committee) for an annual gross fee of £30,000. This appointment is for an initial term of three years commencing with effect from and conditional on Admission and is terminable at any time by either party giving to the other not less than three months' prior notice in writing.

(c) ***William Whitehorn Letter of Appointment***

Pursuant to the terms of a letter of appointment dated 1 December 2015, Mr Whitehorn has agreed to act as an Independent Director (with effect from Admission) and a Non-Executive Director of the Company (and member of the Remuneration Committee) for an annual gross fee of £30,000. This appointment is for an initial term of three years commencing with effect from 1 December 2015 and is terminable at any time by either party giving to the other not less than three months' prior notice in writing.

All of the aforementioned non-executive director letters are governed by English law.

6.14 All of the aforementioned service agreements and letters of appointment set out in paragraph 6.12 are governed by English law.

6.15 Each of the directors has entered into a deed of indemnity with the Company pursuant to the provisions of the Company's articles of association in force at the relevant time (broadly equivalent to the provisions in the Articles described in paragraph 4 of Part V.

- 6.16 Save as disclosed in this document there are no service agreements or agreements for the provision of services existing or proposed between the Directors and the Company or the Company.

## 7 The Employee Share Incentive Arrangements

- 7.1 Prior to Admission, the Company operated an HMRC approved EMI plan.
- 7.2 Typically, the vesting conditions are based on length of service with 25 per cent. of the options granted vesting on or after the 12 month anniversary of the relevant employee's start date with the Company and a further 6.25 per cent. of the options granted vesting every three months thereafter so that options vest in full on the 48 month anniversary of the employee's start date. The Directors have the discretion to allow early exercise under the terms on which the options were granted.
- 7.3 Details of the total number of shares under option, and the terms of the options, as at the latest practicable date prior to Admission are set out below:

<i>Grant Date</i>	<i>Number of options<sup>1</sup> pre-reorg</i>	<i>Number of options</i>	<i>Performance conditions</i>	<i>Exercise price (p)</i>	<i>Earliest exercise date</i>	<i>Expiry date</i>
09 January 2015	42,637	4,616,510	Length of service	£0.01	9 January 2016 <sup>2</sup>	9 January 2025
10 July 2015	43,801	4,742,542	Length of service	£0.1293	10 July 2016 <sup>2</sup>	10 July 2025
06 August 2015	69,328	7,506,471	Time Vesting	£0.01	6 August 2015	6 August 2025
10 August 2015	6,300	682,131	Time Vesting	£0.01	10 August 2016	10 August 2025
06 November 2015	52,731	5,709,435	Time Vesting	£0.01	6 November 2016	6 November 2025
<b>Total issued</b>	214,797	<u>23,257,088</u>				
Less total exercised/ lapse to date <sup>3</sup>		(9,000,660)				
<b>Total</b>		<u>14,256,428</u>				

- 1 Options granted over A Ordinary Shares and D Ordinary Shares. The terms of the options were varied on 1 December 2015 such that the options are exercisable in respect of Ordinary Shares.
- 2 The Directors exercised their discretion to allow early exercise of certain of these options from 2 December 2015.
- 3 The number of options which have been exercised or lapsed as shown in this table takes into account the effects of the Share Capital Reorganisation.

## 8 Taxation

The following statements are intended only as a general guide current as at 10 December 2015 (being the latest practicable date prior to publication of this document) to UK tax legislation and to the current practice of the HMRC and do not constitute tax advice. They may not apply to certain categories of shareholder, such as dealers in securities. Levels and bases of taxation are subject to change. They assume the Ordinary Shares are held as an investment. Any person who is in any doubt as to their tax position or who is resident for tax purposes outside the UK is strongly recommended to consult their professional advisers immediately.

### 8.1 Stamp Duty and Stamp Duty Reserve Tax

It is the intention that provided the Ordinary Shares are admitted to trading on AIM and not on any other recognised stock market, dealings in the Ordinary Shares should not be subject to any UK stamp duty or stamp duty reserve tax.

### 8.2 Dividends

The UK taxation implications relevant to the receipt of dividends on the Ordinary Shares are as follows:

- (a) There is no UK withholding tax on dividends. Individual holders of Ordinary Shares will be taxable on the total of the dividend and the related notional tax credit (**gross dividend**), which will be regarded as the top slice of the individual's income.

- (b) The notional tax credit on dividends is one-ninth of the dividend paid (or 10 per cent. of the aggregate of the dividend and the tax credit). For individuals, the income tax rates on dividend income are such that basic rate taxpayers will have no further tax liability on a dividend receipt. Individuals who pay tax at the higher rate of 40 per cent. will pay tax on dividends at 32.5 per cent. such that a higher rate taxpayer receiving a dividend of £90 will be treated as having gross income of £100 (the net dividend of £90 plus a tax credit of £10) and after allowing for the tax credit of £10 will have a further £22.50 liability. An individual who receives a dividend falling above the upper threshold for higher rate tax will be subject to tax on the gross dividend exceeding the threshold at the rate of 37.5 per cent. After allowing for the tax credit, this gives rise to a further £27.50 liability.
- (c) Generally, holders of Ordinary Shares will not be entitled to reclaim the tax credit attaching to any dividends paid.
- (d) A holder of Ordinary Shares which is a company resident for tax purposes in the UK will have to pay corporation tax in respect of any dividends it receives from another company resident for tax purposes in the UK, unless the dividends fall within an exempt class and certain other conditions are met. Whether an exempt class applies and whether the other conditions are met will depend on the circumstances of the particular UK resident company shareholder, although it is expected that the dividends paid would normally be exempt.
- (e) Shareholders resident for tax purposes outside the UK may be subject to non-UK taxation on dividends received on their Ordinary Shares or in respect of other transactions relating to the shares under the tax law of their country of residence. Such shareholders will not be subject to any further UK tax on their dividends where they have no other sources of income from the UK and do not have a UK representative or, in the case of trustees, where there are no UK resident beneficiaries of the trust. Entitlement to claim repayment of any part of a tax credit, however, will depend, in general, on the existence and terms of any double tax convention between the UK and the country in which the holder is resident (however, given the rate of the tax credit on dividends, any such repayment may not be significant). Non-UK resident shareholders should consult their own tax advisers concerning their tax liability on dividends received; what relief, credit or entitlement to a refund of any tax credit may be available in the jurisdiction in which they are resident for tax purposes; or other taxation consequences arising from their ownership of the Ordinary Shares.

### 8.3 *Disposal of shares acquired under the Placing*

- (a) A Shareholder who is an individual resident for tax purposes in the UK who sells or otherwise disposes of his Ordinary Shares may, depending on the circumstances, incur a liability to UK tax on any capital gain realised. Capital gains tax is charged at a rate of 28 per cent. where total income and gains exceed the threshold for higher rate tax, and 18 per cent. if income and gains are below this level.
- (b) Corporate shareholders within the charge to UK corporation tax may be liable to corporation tax on any chargeable gains realised on the disposal of Ordinary Shares but will generally be entitled to indexation allowance in respect of these Ordinary Shares up until the date of disposal.
- (c) A Shareholder who is not resident for tax purposes in the UK will not normally be liable for UK tax on capital gains realised on the disposal of his Ordinary Shares unless at the time of the disposal such Shareholder carries on a trade (which for this purpose includes a profession or vocation) in the UK through a permanent establishment and such Ordinary Shares are to have been used, held or acquired for the purposes of such UK permanent establishment. A shareholder who is an individual and who has, on or after 17 March 1998, ceased to be resident for tax purposes in the UK for a period of less than five years of assessment and who disposes of Ordinary Shares during that period may be or become liable to UK taxation of chargeable gains (subject to any available exemption or relief).



**Persons who are not resident in the UK should consult their own tax advisers on the possible application of such provisions and on what relief or credit may be claimed for any such tax credit in the jurisdiction in which they are resident. These comments are intended only as a general guide to the current tax position in the UK as at the date of this document. If you are in any doubt as to your tax position, or are subject to tax in a jurisdiction other than the UK, you should consult your professional adviser.**

## **9 Material Contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company: (i) within the period of two years immediately preceding the date of this document and which are, or may be, material; or (ii) which contain any provision under which the Company has an obligation or entitlement which is material to the Company as at the date of this document:

### **9.1 Placing Agreement**

- (a) A placing agreement dated 3 December 2015 and made between: (1) Zeus Capital; (2) the Directors (in their capacities as directors and, where applicable, Selling Shareholders); (3) Kenny Bruce; and (4) the Company pursuant to which Zeus Capital has agreed, subject to certain conditions, to act as agent for the Company and the Selling Shareholders who are party to the Placing Agreement, and to use its reasonable endeavours to procure placees to subscribe for and/or purchase (as the case may be) the Placing Shares at the Placing Price.
- (b) The Placing Agreement is conditional upon, *inter alia*, Admission occurring on or before 8.00 a.m. on 17 December 2015 (or such later date as the Company and Zeus Capital may agree, being not later than 8.00 a.m. on 15 January 2016). The Placing Agreement contains warranties from the Company and the Directors in favour of Zeus Capital in relation to, amongst other things, the accuracy of the information in this document and other matters relating to the Company and its business. It also contains warranties from the Selling Shareholders who are party to the Placing Agreement in favour of Zeus Capital in relation to, amongst other things, title to the Placing Shares.
- (c) The Company agrees to indemnify Zeus Capital in respect of certain liabilities it may incur in respect of the Placing. Zeus Capital has the right to terminate the Placing Agreement in certain circumstances prior to Admission, in particular, in the event of a material breach of the warranties or a force majeure event. The Company has also undertaken during the period commencing on the date of the Placing Agreement and ending 12 months after the date of Admission, it will not without the prior written consent of Zeus Capital, such consent not to be unreasonably withheld or delayed, allot or issue, or enter into any agreement or arrangement which would give rise to an obligation or an increased obligation (in each case whether contingent or otherwise) to allot or issue, any share in the capital of the Company (save for the grant and exercise of options pursuant to the agreements and arrangements to the extent disclosed).
- (d) The Selling Shareholders who are party to the Placing Agreement agree to pay commission to Zeus Capital on the gross aggregate value at the Placing Price of the Existing Ordinary Shares to be sold in the Placing and the Company agrees to pay Zeus Capital a commission on the New Ordinary Shares to be issued in the Placing together with the costs and expenses reasonably incurred in connection with the Admission and Placing.
- (e) The Placing Agreement is governed by English law and is subject to the non-exclusive jurisdiction of the English courts.

### **9.2 Selling Shareholders Agreement**

- (a) Selling Shareholders Agreements were entered into on 3 December 2015 between (1) Zeus Capital; and (2) each Selling Shareholder in terms of which Zeus Capital has agreed, subject to certain conditions, to act as agent for the Selling Shareholders and agrees to use reasonable endeavours to procure purchasers for those of the Placing Shares to be sold by each Selling Shareholder pursuant to the Placing at the Placing Price.



- (b) Each Selling Shareholders Agreement is conditional upon, *inter alia*, Admission occurring on or before 8.00 a.m. on 17 December 2015 (or such later date as the Company and Zeus Capital) may agree, being not later than 8.00 a.m. on 15 January 2016).
- (c) The Selling Shareholders Agreements contain warranties from the relevant Selling Shareholders in favour of Zeus Capital in relation title to the Placing Shares being sold by it.
- (d) The Selling Shareholders Agreements are governed by English law and are subject to the non-exclusive jurisdiction of the English courts.

### 9.3 ***Lock-In Agreements***

- (a) Pursuant to Lock-In Agreements dated 3 December 2015 entered into between: (1) the Company; (2) Zeus Capital; (3) the Directors; (4) Kenny Bruce; (5) Nortrust Nominees Limited (as nominee for Woodford); (6) Matthew Farrow; (7) David Shepherd; and (8) James Kydd, each of the Covenantors has undertaken to the Zeus Capital and the Company not to (and will best endeavours to procure that no connected person will) transfer, sell, mortgage, charge or otherwise dispose of from the date of Admission for a period of 12 months the legal and/or beneficial interest in the Ordinary Shares held by each of them following Admission or any other shares which may accrue to them as a result of their holding of Ordinary Shares.
- (b) Each of the Covenantors has also undertaken to Zeus Capital and the Company not to dispose of the Restricted Shares for the period of 12 months following the expiry of the Principal Lock-in Period other than through Zeus Capital on an orderly market basis.
- (c) The Lock-In Agreements are governed by English law and are subject to the exclusive jurisdiction of the English courts.
- (d) Lock-In Agreements have also been entered into with the other Shareholders containing similar undertakings other than the Shareholders are subject to a lock-in period of 6 months from the date of Admission and a further period of 6 months during which the other Shareholders shall not dispose of their Restricted Shares otherwise than through Zeus Capital. Those other Shareholders also benefit from certain additional exemptions from the restriction under the terms of the Lock-In Agreements entered into by them.

### 9.4 ***Nominated Adviser and Broker Agreement***

- (a) A nominated adviser and broker agreement dated 3 December 2015 and made between: (1) the Company; and (2) Zeus Capital pursuant to which the Company has appointed Zeus Capital to act as nominated adviser and broker to the Company for the purposes of the AIM Rules for Companies.
- (b) The Company has agreed to pay Zeus Capital a fee of £50,000 (accruing on a per diem basis) plus VAT per annum for its services as nominated adviser and broker under this agreement (to be reviewed on an annual basis), payable from the first anniversary of Admission.
- (c) The agreement contains certain undertakings, warranties and indemnities given by the Company to Zeus Capital and for an initial term of 12 months and is terminable thereafter upon not less than three months' prior written notice by either the Company or Zeus Capital.
- (d) The Nominated Adviser and Broker Agreement is governed by English law and is subject to the exclusive jurisdiction of the English courts.

### 9.5 ***Receiving Agent Agreement***

- (a) A receiving agent agreement dated 9 December 2015, between the Company and Capital Registrars Limited (the Receiving Agent) under which the Receiving Agent is appointed to act as the Company's receiving agent in connection with the Placing of the Selling Shareholders' Ordinary Shares. The fees of the Receiving Agent are based on the services performed with certain minimum payments agreed by the Company.

- (b) The receiving agent agreement contains an indemnity from the Company in favour of the Receiving Agent on customary terms. The Receiving Agent's liability to the Company is limited save in certain circumstances. The Receiving Agent may also be terminated by either party with immediate effect at any time upon sending written notice to the other party if the other party commits a material breach of its obligations which such party fails to remedy within 14 days of receipt of notice to do so from the non-defaulting party or if a resolution is passed or an order made for the winding-up, dissolution or administration of the other party, or if the other party is declared insolvent or if an administrator, administrative receiver, manager or provisional liquidator (or similar officer to any of the foregoing in the relevant jurisdiction) is appointed over the whole of or a substantial part of the other party or its assets or undertakings.
- (c) The receiving agent agreement is governed by the laws of England.

#### 9.6 ***Registrar Services Agreement***

- (a) A registrar services agreement dated 9 December 2015 and made between: (1) the Registrar; and (2) the Company pursuant to which the Registrar has been appointed as registrar to the Company.
- (b) The fees of the Registrar are based on the services performed with certain minimum payments agreed by the Company. The registrar services agreement contains an indemnity from the Company in favour of the Registrar and its affiliates for any liabilities arising from the Company's breach of the registrar services agreement. The Registrar's liability to the Company is limited save in certain circumstances.
- (c) The agreement is for an initial term of three years and is thereafter terminable on not less than six months' prior written notice by either party.
- (d) The registrar services agreement is governed by English law and both parties submit to the exclusive jurisdiction of the English courts.

#### 9.7 ***Investment Agreement***

The Company entered into an investment agreement on 8 July 2015 by way of deed of amendment and restatement to an investment agreement dated 4 April 2014 with the shareholders of the Company at that time (the **Investment Agreement**). This regulated the relationship of those shareholders with each other and certain aspects of the affairs and dealings of the Company. It included provisions governing the business of the Group and the transfer of shares (including circumstances giving rise to compulsory transfer of shares). The Investment Agreement contained detailed provisions relating to an "Exit" which was defined to include an IPO. The Investment Agreement will terminate automatically on Admission.

#### 9.8 ***Close Brothers Agreement***

- (a) On 22 August 2014, the Company entered into an agreement with Close Brothers pursuant to which the Company can introduce its customers to Close Brothers, who provide such customers with credit facilities to allow customers to defer any payment for services owed to the Company in respect of the sale or letting of a property (the **Close Brothers Agreement**).
- (b) The Close Brothers Agreement is for an initial 5 year term. Under the credit facilities offered, Close Brothers pays the Company the relevant amount when a customer enters into a credit agreement with Close Brothers.
- (c) The Close Brothers Agreement is governed by English law and is subject to the exclusive jurisdiction of the English courts.

#### 9.9 ***Rightmove Agreement***

- (a) On 16 September 2015, the Company renewed its membership with Rightmove under which the Company agrees to advertise its entire UK residential sales and lettings property stock for the term of the agreement on the rightmove.co.uk website and on Rightmove's mobile platforms.

- (b) The Rightmove Agreement's term is from 1 October 2015 until 30 September 2016, is governed by English law and is subject to the exclusive jurisdiction of the English courts.

#### **9.10 Zoopla Agreement**

- (a) On 3 May 2013, the Company entered into a contract with Zoopla under which Zoopla agrees to display the Company's properties on its website, provides the Company with a listing within the agent directory on its website and other advertising services for the Company's property stock.
- (b) The Zoopla Agreement was for an initial term of three months and can be terminated on 30 days' written notice. It is governed by English law and is subject to the exclusive jurisdiction of the English courts.

### **10 Working Capital**

In the opinion of the Directors, having made due and careful enquiry and taking into account the net proceeds from the Placing, the working capital available to the Company will be sufficient for its present requirements, that is for at least the next 12 months from the date of Admission.

### **11 Litigation**

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

### **12 Mandatory Bids, Squeeze-Out and Sell-Out Rules**

#### **12.1 Mandatory bids**

Other than as provided by the City Code and Chapter 28 of the Act, there are no rules or provisions relating to mandatory bids and/or squeeze-out and sell-out rules that apply to the Ordinary Shares or the Company. The City Code applies to the Company. Under Rule 9 of the City Code, if an acquisition of interests in shares were to increase the aggregate holding of the acquirer and its concert parties to interests in shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties would be required (except with the consent of the Panel) to make a cash offer for the outstanding shares in the Company 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 by any acquisition of interests in shares by a person holding (together with its concert parties) 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 total voting rights in the Company.

"Interests in shares" is defined broadly in the City Code. A person who has long economic exposure, whether absolute or conditional, to changes in the price of shares will be treated as interested in those shares. A person who only has a short position in shares will not be treated as interested in those shares.

"Voting rights" for these purposes means all the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting.

"Persons acting in concert" (and concert parties) comprise persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control of a company or to frustrate the successful outcome of an offer for a company. Certain categories of people are deemed under the City Code to be acting in concert with each other unless the contrary is established.

## 12.2 *Squeeze-out rules*

Under the Act, if a “takeover offer” (as defined in section 974 of the Act) is made by an offeror to acquire all of the shares in the Company not already owned by it and the offeror were to acquire, or unconditionally contract to acquire, not less than 90 per cent. in value of the shares to which such offer relates, the offeror could then compulsorily acquire the remaining shares. The offeror would do so by sending a notice to the outstanding members informing them that it will compulsorily acquire their shares and, six weeks later, it would deliver a transfer of the outstanding shares in its favour to the Company which would execute the transfers on behalf of the relevant members, and pay the consideration for the outstanding shares to the Company which would hold the consideration on trust for the relevant members. The consideration offered to the members whose shares are compulsorily acquired under this procedure must, in general, be the same as the consideration that was available under the original offer unless a member can show that the offer value is unfair.

## 12.3 *Sell-out rules*

The Act also gives minority members a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the shares in the Company and, at any time before the end of the period within which the offer could be accepted, the offeror held or had agreed to acquire not less than 90 per cent. in value of the shares and not less than 90 per cent. of the voting rights carried by the shares in the Company, any holder of shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those shares. The offeror would be required to give any member notice of his/her right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority members to be bought out, but that period cannot end less than three months after the end of the acceptance period or, if later, three months from the date on which notice is served on members notifying them of their sell-out rights. If a member exercises his/her rights, the offeror is entitled and bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

## 13 **Significant Change**

Save as disclosed in this document, there has been no significant change in the financial or trading position of the Company since 30 September 2015, being the date to which the last unaudited interim financial information was prepared.

## 14 **Consents**

- 14.1 Zeus Capital of 82 King Street, Manchester, M2 4WQ is authorised and regulated in the UK by the FCA. Zeus Capital has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and the references to it in the form and context in which it appears.
- 14.2 Grant Thornton UK LLP, Chartered Accountants and registered auditors, of Colmore Plaza, 20 Colmore Circus, Birmingham B4 6AT, has given and has not withdrawn its consent to the inclusion of its Accountants’ report on the historical financial information on the Company in Part B of Part III of this document in the form and context in which it appears, and has authorised its report for the purposes of Schedule Two of the AIM Rules for Companies.

## 15 **General**

- 15.1 Expenses estimated at £2.18m, excluding VAT, are payable by the Company (out of the Company’s existing resources) in connection with the Placing.
- 15.2 The Company entered into an agreement with London Bridge Capital Limited on 6 November 2013 in terms of which London Bridge Capital Limited acted as the Company’s financial adviser on a private fundraising by the Company. The arrangement was terminated by a letter agreement entered into by the parties on 7 May 2015, pursuant to the terms of which the Company paid London Bridge Capital Limited £90,000 plus VAT.

- 15.3 Save as described above, no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has received, directly or indirectly, within the 12 months preceding the date of this document or entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission:
- (a) fees totalling £10,000 or more;
  - (b) securities where these have a value of £10,000 or more calculated by reference to the Placing Price; or
  - (c) any other benefit with a value of £10,000 or more at the date of Admission.
- 15.4 Information in this document which has been sourced from third parties has been accurately reproduced and so far as the Company is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 15.5 Save as disclosed in this document, the Directors are unaware of any exceptional factors which have influenced the Company's activities.
- 15.6 Save as disclosed in this document, the Directors are unaware of any environmental issues that may affect the Company's utilisation of its tangible fixed assets.
- 15.7 Save as disclosed in this document, the Directors are unaware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for the current financial year.
- 15.8 Save as disclosed in this document, there are no investments in progress and there are no future investments on which the Directors have already made firm commitments which are significant to the Company.
- 15.9 Save as disclosed in this document, the Directors believe that the Company is not dependent on patents or licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Company's business or profitability.
- 15.10 Since the date of incorporation of the Company, there has been no takeover offer (within the meaning of Part 28 of the Act) for any Ordinary Shares.
- 15.11 The current accounting reference period of the Company will end on 30 April 2016.
- 15.12 The financial information contained in Section A of Part III of this document does not constitute statutory accounts within the meaning of section 434(3) of the Act. The auditors for the period covered by the financial information set out in Section A of Part III of this document were Grant Thornton UK LLP. Grant Thornton UK LLP is a member firm of the Institute of Chartered Accountants in England and Wales. Statutory accounts of the Company for the three years ended 30 April 2015 have been delivered to the Registrar of Companies in England and Wales. Grant Thornton UK LLP have made reports in the statutory accounts of the Company for the year ended 30 April 2015. Such reports were unqualified and contained no statement under section 498(2) or 498(3) of the Act.

## **16 Dealing Arrangements**

- 16.1 Application will be made to the London Stock Exchange for all the Enlarged Ordinary Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and that unconditional dealings in the Ordinary Shares will commence on the London Stock Exchange at 8.00 a.m. on 17 December 2015.
- 16.2 It is intended that, where applicable, definitive share certificates in respect of the Placing Shares will be despatched on or before 7 January 2016 or as soon thereafter as is practicable. Temporary documents of title will not be issued. Dealings in advance of crediting of the relevant CREST stock account(s) shall be at the sole risk of the persons concerned.

16.3 The Ordinary Shares are in registered form and are eligible for settlement in CREST. The ISIN for the Ordinary Shares is GB00BYV2MV74.

## 17 Selling Shareholders

The names of each of the Selling Shareholders are set out below, all of whose business address is at the Company's registered and head office:

<i>Name<sup>1</sup></i>	<i>Position in Company/ Relationship with Company</i>	<i>Number of Placing Shares</i>
Michael Bruce	CEO	10,600,000
Neil Cartwright	CFO	833,715
Nick Discombe	Non Executive Director	1,948,945
William Whitehorn	Non Executive Director	544,081
Kenny Bruce	Sales Director	2,900,000
Other senior management	Management	1,921,876
DN Capital – Global Venture Capital III LP	Shareholder	6,454,582
MLC50 LP Inc	Shareholder	3,721,289
Other Selling Shareholders	Shareholder	4,188,728

1 The business address of each Selling Shareholder is Suite 7, Cranmore Place, Cranmore Drive, Shirley, Solihull, West Midlands, B90

## 18 Availability of this Document

A copy of this document is available at the Company's website [www.purplebricks.com/investors](http://www.purplebricks.com/investors).

Dated 11 December 2015







**Purplebricks Group Plc**

Cranmore Place, Cranmore Drive, Shirley, Solihull, West Midlands, B90 4RZ

Head office: 0121 296 4848

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