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If you have sold or otherwise transferred (or will sell or transfer) all of your shares in Morses Club PLC please pass this document, together with the accompanying documents, to the purchaser or transferee, or to the person who arranged the sale or transfer, so that they can pass these documents to the person who now holds the shares.

This document does not constitute an admission document drawn up in accordance with the AIM Rules.

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 FCA.

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 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.

This document also does not constitute a prospectus within the meaning of section 85 of FSMA, has not been drawn up in accordance with the Prospectus Rules published by the Financial Conduct Authority (“*FCA*”) and a copy of this document has not been, and will not be, filed or reviewed by the FCA or any other competent authority.

The Company and the directors of the Company (the *Directors*), whose names and principal functions appear on page 46 of this document, individually and collectively accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors (having taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and this document makes no omission likely to affect its import.

The release, publication or distribution of this document and/or any accompanying documents in or into jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document and any accompanying documents come should inform themselves about, and observe, any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws or regulations of such jurisdictions.

MORSES CLUB PLC

(Incorporated under the Companies Act 1985 and registered in England and Wales with registered number 06793980)

Recommended Proposals for the introduction of U Money PLC as the new holding company of the Morses Club group

by means of a Members' Scheme of Arrangement under Part 26 of the Companies Act 2006

and

Notices of Court Meeting and General Meeting

Nomad

Peel Hunt LLP

Meetings to consider the Proposals contained in this document are to be held on 8 September 2021 at Suite 2.01, One City West, Gelderd Road, Leeds, LS12 6NJ, as set out at the end of this document. The Court Meeting will start at 10.30 a.m. on that date and the General Meeting will start at 10.50 a.m. (or to follow immediately after the Court Meeting has concluded). Notices of the Court Meeting and General Meeting are set out in Part VIII – *Notice of Meetings* of this document.

The action to be taken by the Company's shareholders in respect of the Meetings is set out in paragraph 17 of Part II – *Explanation of the Scheme and its Effects* of this document.

The Shareholders will find enclosed with this document a blue Form of Proxy for use in connection with the Court Meeting and a white Form of Proxy for use in connection with the General Meeting. Whether or not you intend to be present at the Meetings in person, please complete and sign both of the enclosed Forms of Proxy in accordance with the instructions printed on them and return them to the Company's Registrar, Link Group, at 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL, as soon as possible and, in any event, so as to be received by 10.30 a.m. in the case of the blue Form of Proxy (Court Meeting) and 10.50 a.m. in the case of the white Form of Proxy (General Meeting), both on 6 September 2021. Forms of Proxy returned by fax will not be accepted.

If the blue Form of Proxy for the Court Meeting is not returned by the above time, it may be handed to the Chairman of the Court Meeting or to the Company's Registrar, Link Group, immediately prior to the start of the Court Meeting. However, in the case of the General Meeting, unless the white Form of Proxy is returned by the time mentioned in the instructions printed on it, it will be invalid. The completion and return of the relevant Form of Proxy will not prevent you from attending and voting in person at the Court Meeting or the General Meeting or any adjournment thereof, if you so wish and are so entitled.

The Company's shareholders who hold their shares through CREST and who wish to appoint a proxy or proxies for the Meetings or any adjournment(s) by using the CREST electronic proxy appointment service may do so by using the CREST proxy voting service in accordance with the procedures set out in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to that CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. Further details are set out in Part VIII – *Notice of Meetings* of this document.

The Morses Club Ordinary Shares are traded on the AIM market for listed securities of London Stock Exchange plc (*AIM*).

An application will be made to AIM for all of U Money's Ordinary Shares to be admitted to trading on AIM. If the Scheme proceeds as presently envisaged, it is expected that dealings in the Morses Club Ordinary Shares will continue until close of business on 11 October 2021 and that Admission of U Money's Ordinary Shares will become effective, and that dealings in U Money's Ordinary Shares on AIM, at 8.00 a.m. on 12 October 2021.

The Morses Club Ordinary Shares have neither been marketed to, nor are available for purchase or exchange, in whole or in part, by, the public in the United Kingdom or elsewhere in connection with the introduction of Scheme Shares

to AIM. This document is not a prospectus but a shareholder circular and does not constitute an invitation or offer to sell or the solicitation of an invitation or offer to buy any security. None of the securities referred to in this document shall be sold, issued, subscribed for, purchased, exchanged or transferred in any jurisdiction in contravention of applicable law.

Subject to the passing of Resolution 2(f) at the General Meeting, it is proposed that the listing and trading of the Morses Club Ordinary Shares on AIM be cancelled (the *Delisting*) and an application will also be made for the Scheme Shares to be admitted to trading on AIM. It is expected that admission of the Scheme Shares will become effective and that dealings of the Scheme Shares will commence on AIM at 8.00 a.m. on 12 October 2021 (*Admission*) and would occur simultaneously with the Delisting becoming effective.

Your attention is drawn to the letter of recommendation from the Chairman which is set out in Part I – *Letter from the Chairman of Morses Club PLC*. Your attention is also drawn to the section headed “Risk Factors” which sets out certain risks and other factors that should be considered by Shareholders when deciding what action to take in relation to the Resolutions. Notwithstanding this, you should read the entire document and any documents incorporated by reference.

Unless explicitly incorporated by reference herein, the contents of the websites of the Group do not form part of this document. Capitalised terms have the meanings ascribed to them, and certain technical terms are explained, in Part VII – *Definitions and Glossary*. References to times are to London time unless otherwise stated.

Some financial and other numerical information in this document has been rounded and, as a result, the numerical figures shown as totals in this document may vary slightly from the exact arithmetic aggregation of the figures that precede them.

No statement in this document is intended as a profit forecast or a profit estimate and no statement in this document should be interpreted to mean that earnings per share for the current or future financial years would necessarily match or exceed the historical published earnings per share.

WHERE TO FIND HELP

Summary – Some Questions and Answers about the Proposals of this document are set out here. If you have further questions, please call Link Group, 0371 664 0321 from the UK or +44 371 664 0321 from outside the UK. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open 9.00 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that the helpline cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes. Please note that, for legal reasons the helpline is only able to provide information contained in this document and information relating to the Company’s register of members and is unable to give advice on the merits of the Proposals.

This document is dated 13 August 2021.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Item	Date and time
Latest time for receipt by the Company's Registrar of blue Form of Proxy from Company's shareholders for the Court Meeting	10.30 a.m. on Monday 6 September 2021
Latest time for receipt by Company's Registrar of white Form of Proxy from the Company's shareholders for the General Meeting	10.50 a.m. on Monday 6 September 2021
Scheme Voting Record Time	Close of business on Monday 6 September 2021
Court Meeting	10.30 a.m. on Wednesday 8 September 2021
General Meeting	10.50 a.m. on Wednesday 8 September 2021
Results of General Meeting and Court Meeting announced through a Regulatory Information Service	Wednesday 8 September 2021
Directions hearing for the U Money Reduction of Capital	Thursday 23 September 2021
Directions hearing for the Company Reduction of Capital	Thursday 23 September 2021
Court Hearing to sanction the Scheme and Company Reduction of Capital (<i>Scheme Sanction Hearing</i>)	Tuesday 5 October 2021
Last day of dealings in, and for registration of transfers of, Morses Club Ordinary Shares	Monday 11 October 2021
Time at which entitlement to U Money Ordinary Shares under the Scheme is determined (<i>Scheme Record Time</i>)	Close of business on Monday 11 October 2021
Scheme Effective Date	Tuesday 12 October 2021
Scheme Effective Time	Immediately prior to 8.00a.m. on Tuesday 12 October 2021
Admission of, and dealings commence in, the shares of U Money on AIM	8.00 a.m. on Tuesday 12 October 2021
Suspension of listing of, and dealings in, the Morses Club Ordinary Shares	8.00 a.m. on Tuesday 12 October 2021
U Money's Ordinary Shares are quoted and trading in these shares on AIM	8.00 a.m. on Tuesday 12 October 2021
Crediting of U Money's Ordinary Shares to CREST accounts	As soon as is practical on Tuesday 12 October 2021

Court Hearing to sanction the U Money Reduction of Capital (<i>U Money Reduction Sanction Hearing</i>)	From 10.30 a.m. on Tuesday 12 October 2021
Dispatch of share certificates for U Money Ordinary Shares	By 26 October 2021

These times and dates are indicative only and will depend, amongst other things, on the date on which the Court provides directions on the Scheme, the Company Reduction of Capital and, sanctions the Scheme and the Company Reduction of Capital and sanctions the U Money Reductions of Capital. In particular, certain Court dates are subject to confirmation by the Court. If the scheduled date of either or both of the Court Hearings is changed, the Company will give adequate notice of the change by issuing an announcement through an RIS or via the Company's website. Any changes to other times or dates indicated above may, in the Company's discretion, be notified in the same manner. All of the Morses Club Shareholders have the right to attend the Court Hearings, but are encouraged to appoint a proxy, as described in Part VIII – *Notice of Meetings*.

Notes:

- (1) Blue Forms of Proxy for the Court Meeting not returned by the time set out above may be handed to the Chairman or the Registrar at the Court Meeting prior to the vote being taken.
- (2) To be valid, white Forms of Proxy for the General Meeting must be lodged by 10.50 a.m. on 6 September 2021.
- (3) If either the Court Meeting or the General Meeting is adjourned, the voting record time for the adjourned meeting will be close of business on the date falling two days before the adjourned meeting.
- (4) For further details of the time and location of the Scheme Sanction Hearing, the Morses Club Shareholders and creditors may consult the Company's website. If it is a physical hearing, it will be held at the Rolls Building, 7 Rolls Buildings, Fetter Lane, London EC4A 1NL. If it is a remote hearing, or a hybrid hearing, details of how to attend remotely will be published on the Company's website when they become available.

DIRECTORS, SECRETARY AND ADVISERS OF THE COMPANY

Directors	Graeme James Campbell Stephen Ashley Karle Sir Nigel Graham Knowles Joanne Carolyn Lake Sheryl Arlene Lawrence Gary Peter Marshall Paul Mark Smith Thomas Andrew Thomson Peter Martin Ward Michael Anthony Yeates
Company Secretary	David Gresford Belmont
Registered Office	Building 1 The Phoenix Centre, Colliers Way, Nottingham, United Kingdom, NG8 6AT
Nominated Adviser:	Peel Hunt LLP 100 Liverpool Street London, EC2M 2AT
Legal Adviser:	Freshfields Bruckhaus Deringer LLP 100 Bishopsgate London, EC2P 2SR
Auditor:	Deloitte LLP 1 New Street Square, London, EC4A 3HQ
Reporting Accountant:	Deloitte LLP 1 New Street Square, London, EC4A 3HQ
Tax Adviser:	Grant Thornton UK LLP 30 Finsbury Square London, EC2A 1AG
Public Relations Adviser:	Camarco 3rd Floor, Cannongate House, 62-64 Cannon Street,

London, EC4N 6AE

Registrar:

Link Group

10th Floor
Central Square
29 Wellington Street
Leeds
LS1 4DL

Company website:

www.morsesclubplc.com

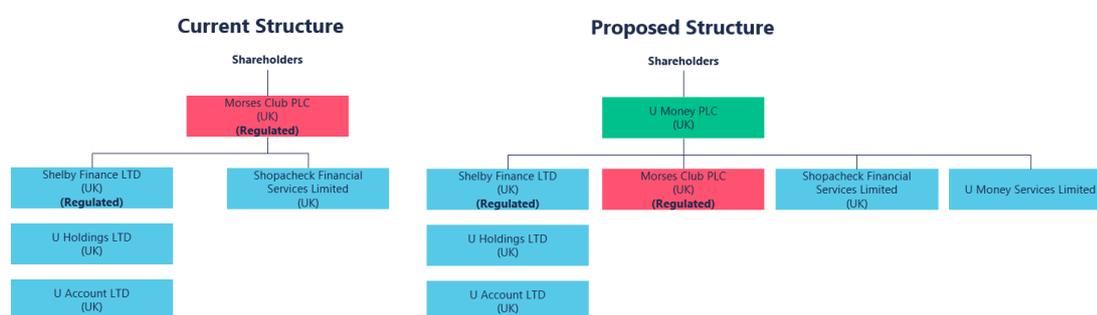
From the Scheme Effective Date, the Directors, the Company Secretary, the advisers and the Registered Office of U Money will reflect that of the Company set out above.

SUMMARY

Defined terms used in this document are set out in Part VII – *Definitions and Glossary*.

1. WHAT IS BEING PROPOSED?

- 1.1 It is proposed that U Money be introduced as the new, AIM quoted, holding company for the Group. From the Scheme Effective Date, the Company and its operating subsidiaries will continue as the principal trading entities of the Group and will become subsidiaries of U Money.
- 1.2 The reorganisation of the Group will be effected by way of a members' scheme of arrangement under Part 26 of the Act before the English High Court (the *Scheme*). Morses Club Shareholders will receive, on a one-for-one basis and in the same percentages as they currently hold, U Money Ordinary Shares.
- 1.3 Following the Scheme Effective Date, U Money will own all of the Morses Club Ordinary Shares and the shareholders will be issued with the same number and nominal value of U Money Ordinary Shares, represented by a new share certificate (if the shares are held in Certificated form) or having their shares credited to CREST (if the shares are held in non-Certificated form in the CREST system). The U Money Ordinary Shares will be quoted on AIM (*Admission*) and the Company will apply for the Morses Club Ordinary Shares to be delisted from AIM (*Delisting*).
- 1.4 Admission and Delisting will occur on the same day as the Scheme Effective Date.



- 1.5 There will be no direct impact for the Group's customers. Morses Club and Shelby Finance Ltd. (*Shelby Finance*) customers will continue to be served by their current providers.
- 1.6 Immediately following the Scheme Effective Date, U Money will undertake a reduction of capital (the *U Money Reduction of Capital*) in order to create distributable reserves. This is expected to occur immediately after the Scheme Effective Date. Further details of the U Money Reduction of Capital are set out in paragraph 5 of Part II
- 1.7 As part of the reorganisation of the Group being carried out in parallel to the Scheme (but separate from the Scheme), a new service company, U Money Services Limited, has been incorporated to act as a service provider to Morses Club and Shelby Finance, the two operating companies of the Group. The introduction of this subsidiary into the Group will not have any impact on the Scheme or the shares to be issued to shareholders as part of the Scheme. Post the Scheme Effective Date, it is expected that in order to further the alignment of the business lines (as set out in the rationale to the Scheme in paragraph 2 of Part II– *Explanation of the Scheme and its Effects*) certain supplier agreements will be re-assigned from Morses Club (which, post Scheme Effective Date will no longer be the holding company of the Group) to: (i) their relevant operating company (i.e. such agreements will either be assigned or novated to Shelby Finance or remain with Morses); or (ii) U Money Services Limited for the provision of shared services.

2. WHY IS THE COMPANY PROPOSING THE SCHEME?

- 2.1 The Scheme is being undertaken to replace the vertical Group structure with a conventional holding company Group structure that will better facilitate the future development of the Group's various lending activities.

The proposed change will create a more usual corporate group structure for this type of business. Following the Scheme, the Group will maintain a non-operational holding entity, U Money, at the top of the Group, which is a pure holding company. At present the Company, the Group's current holding entity, also has an operating business and is therefore currently both a holding entity and an operating company.

- 2.2 The Group has two business divisions, home collected credit (*HCC*) and digital lending (*Digital*), which offer distinct forms of non-standard finance. HCC operates under the Company's brand and provides to customers small, short-term-loans, with Digital operating under Shelby Finance and providing fully online instalment loans to customers through its brands Dot Dot Loans and U Account. The proposed structure following the Scheme has the new holding company, U Money, inserted above Morses Club and Shelby Finance. Each of the Company and Shelby Finance become direct subsidiaries of U Money. As such, the two distinct businesses of HCC and Digital will be held in separate subsidiaries by a common holding company (see current and proposed structure chart in paragraph 1.4 of this Summary above). Each of the Company and Shelby Finance will remain FCA regulated. The other direct subsidiary, Shopacheck Financial Services Limited, is non-trading. Investment and funding in the two businesses will be simplified, as will future decisions for the operation and expansion of the Group by using a subsidiary model for the development of distinct business lines.
- 2.3 There will be no direct impact for the Group's customers. Morses Club and Shelby Finance customers will continue to be served by their current FCA-regulated providers. Each trading company will continue to operate within its existing regulatory permissions and in line with the marketing and data sharing permissions agreed with customers and granted by customers. The Group's high standards of governance and oversight, with the necessary supporting committee structures, will be maintained within Morses Club, and reflected within U Money, to ensure that the interests of the Group's customers and shareholders continue to be considered, with full adherence to the Group's regulatory obligations and permissions. Morses Club and Shelby Finance will operate as standalone trading entities, fully in line with all applicable accounting practices, viability tests, operating costs and liabilities.

3. WHY IS THE COMPANY USING A SCHEME?

- 3.1 The Scheme is a formal procedure under the Act which is commonly used to carry out corporate reorganisations. The Scheme requires the approval of the Morses Club Shareholders and the Court. If approved by the requisite majority of the Morses Club Shareholders, all of the Morses Club Shareholders will be bound by the Scheme regardless of whether or how they voted.

4. DO SHAREHOLDERS HAVE TO PAY ANYTHING UNDER THE SCHEME?

- 4.1 No. All U Money Ordinary Shares being issued as part of the Scheme are being issued to the Morses Club Shareholders on a one-for-one basis in consideration for the cancellation of their existing Scheme Shares. No payment is required and no payment will be owed to the Morses Club Shareholders.

5. WILL THERE BE ANY CHANGE TO THE VALUE OF SHAREHOLDINGS?

- 5.1 Subject to normal market fluctuations, there is no reason to believe that the market price of each Morses Club Ordinary Share following the Scheme Effective Date will be different to the market price that each share would have been, had U Money not been introduced as the new holding company of the Group.
- 5.2 The percentage of holding the Morses Club Shareholders will receive in U Money will remain the same as their current percentage of shareholding in the Company immediately prior to the Scheme Effective Date, with no dilution.

6. DO SHAREHOLDERS NEED TO VOTE?

- 6.1 Members of the Company listed on the register of members are encouraged to appoint a proxy (a person appointed on their behalf to attend and vote at the meetings) to vote at the Court Meeting and the General

Meeting. The Company suggests that the Chairman, of each of the meetings, who is expected to be Stephen Karle, be appointed as proxy to vote on behalf of each Morses Club Shareholder at the Court Meeting and the General Meeting. Members are, however, able to attend and vote at the Court Meeting and the General Meeting in person, and without appointing a proxy.

- 6.2 If you intend to attend the Court Meeting and/or the General Meeting in person, the Company asks that, due to the continued presence of COVID-19 concerns, shareholders confirm to the Company by email to investors@morsesclubplc.com whether they will be attending the Court Meeting and the General Meeting in person, to ensure the Company has in place proper COVID-19 protections, if necessary. Shareholders will be able to join the meetings virtually by emailing investors@morsesclubplc.com for a link to join the meeting.

7. HOW DO SHAREHOLDERS APPOINT A PROXY?

- 7.1 A shareholder may appoint a proxy by completing the blue Form of Proxy, in relation to the Court Meeting, and the white Form of Proxy, in relation to the General Meeting, and return them in accordance with the instructions set out on the relevant Form of Proxy, or by electronic appointment. Further details of proxy appointment are set out in Part VIII – *Notice of Meetings* of this document.

8. HOW CAN A SHAREHOLDER VOTE?

- 8.1 A shareholder can vote in person at the meetings or can complete, sign and return the relevant Form(s) of Proxy. Morses Club Shareholders are encouraged to appoint the Chairman of the meeting as their proxy for the Court Meeting and General Meeting. However, Morses Club Shareholders are entitled to appoint their own proxies. A shareholder can also vote online by going to <https://www.signalshares.com/>, further details of which are set out in Part VIII – *Notice of Meetings* of this document.

9. WHAT DOES A SHAREHOLDER DO WITH THEIR OLD SHARE CERTIFICATES?

- 9.1 Upon the Scheme Effective Date, holdings of Scheme Shares will be cancelled and shareholders will be issued with an equivalent number, and value of shares, of U Money Ordinary Shares. Morses Club share certificates will cease to be valid on the Scheme Effective Date. Upon receipt of the new share certificates in U Money, shareholders should destroy Morses Club share certificates.

10. WHEN WILL SHAREHOLDERS RECEIVE NEW SHARE CERTIFICATE(S)?

- 10.1 It is expected that share certificates for the U Money Ordinary Shares will be despatched by 26 October 2021 to the shareholders registered addresses by standard first class post.. These are important documents and should be retained in a safe place. If shareholders have not received new share certificates by 9 November 2021, then they should contact the Registrar, Link Group; further details of which are set out in Part VIII – *Notice of Meetings* of this document.

11. WHAT IF SHAREHOLDERS STILL HAVE QUESTIONS?

- 11.1 If shareholders have any further questions, then they should call the Company shareholder helpline on 0371 664 0321 or +44 371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The lines are open 9.00 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales.
- 11.2 For legal reasons this helpline will only be able to provide practical information and will not provide advice on the merits of the Scheme (which includes the Company Reduction of Capital) or the U Money Reduction of Capital or give any financial, legal or taxation advice. For financial, legal or taxation advice, shareholders will need to consult an independent financial or legal adviser.

PART I LETTER FROM THE CHAIRMAN

Morses Club PLC

Building 1 The Phoenix Centre, Colliers Way,
Nottingham, United Kingdom, NG8 6AT

13 August 2021

Dear Shareholder

Recommended Proposals in respect of the introduction of U Money as the new, AIM quoted, holding company of the Group and related matters

1. INTRODUCTION

- 1.1 On 13 August 2021, Morses Club announced its intention to put in place a new, AIM quoted, holding company of the Group, being U Money. It is intended that this new corporate structure will be implemented by means of a members' scheme of arrangement under Part 26 of the Act. Upon the Scheme Effective Date, it is also proposed that the share capital of U Money be reduced to create distributable reserves. It is also intended that on the Scheme Effective Date the board of directors of U Money shall be the same as the Board.
- 1.2 We have prepared a summary on pages 17 to 19 of this document to help you understand what is involved. Further detail regarding the Scheme is also contained in Part II - *Explanation of the Scheme and its Effects* of this document. You should nevertheless read the whole of this document and not rely solely on the summary.
- 1.3 The purpose of this letter is to explain why the Board considers the Proposals to be in the best interests of the Group and the Morses Club Shareholders. Your Board is unanimously recommending that you vote in favour of the Proposals. A summary of the action recommended to be taken is set out on page 15 of this document and in the Forms of Proxy accompanying this document.

2. REASONS FOR THE PROPOSALS

- 2.1 The Board believes that the Proposals, which provide for the introduction of an additional new, AIM quoted, holding company which will be effected by way of: (a) the Scheme and associated Company Reduction of Capital; and (b) the subsequent, U Money Reduction of Capital, are the most effective and appropriate way to structure the Group and create distributable reserves. By undertaking the U Money Reduction of Capital creating additional distributable reserves in U Money, U Money increases its flexibility to pay dividends and retains reserves for its use for any other general corporate purposes, subject always to the financial performance of U Money. However, U Money has not made any proposal or decision as to the use of any such realised profits, should the U Money Reduction of Capital take place.
- 2.2 Changes to market conditions and customer needs as a result of the COVID-19 pandemic have created a strategic opportunity for Morses Club to accelerate its digital offering whilst building on its position as the UK's second largest provider of HCC products. In responding to the changes within the market, the Company recognises that adoption of a more closely aligned Group structure, with distinct business lines, provides a more appropriate operating model.
- 2.3 The Scheme is being undertaken to create a more usual corporate group structure for this type of business. Following the Scheme the Group will maintain a non-operational holding entity, U Money, at the top of the Group, which will perform the role of being a pure holding company. At present the Company, the Group's current holding entity, also has an operating business and is therefore currently both a holding entity and an operating company.
- 2.4 The Group has two business divisions, home collected credit (*HCC*) and digital lending (*Digital*), which offer distinct forms of non-standard finance. HCC operates under the Company's brand and provides to customers small, short-term loans, with Digital operating under Shelby Finance and providing fully online instalment

loans to customers through its brand Dot Dot Loans and U Account. The proposed structure following the Scheme has the new holding company, U Money, inserted above Morses Club and Shelby Finance. Each of the Company and Shelby Finance become direct subsidiaries of U Money. As such, the two distinct businesses will be held in separate subsidiaries by a common holding company (see current and proposed structure chart in paragraph 1.4 of the Summary above). Each of the Company and Shelby Finance will remain FCA regulated. The other direct subsidiary, Shopacheck Financial Services Limited, is non-trading. Investment and funding in the two businesses will be simplified, as will future decisions for the operation and expansion of the Group by using a subsidiary model for the development of distinct business lines.

- 2.5 There will be no direct impact for the Group's customers. Morses Club and Shelby Finance customers will continue to be served by their current FCA-regulated providers. Each trading company will continue to operate within its existing regulatory permissions and in line with the marketing and data sharing permissions agreed with customers and granted by customers. The Group's high standards of governance and oversight, with the necessary supporting committee structures, will be maintained within Morses Club, and reflected within U Money, to ensure that the interests of the Group's customers and shareholders continue to be considered, with full adherence to the Group's regulatory obligations and permissions. Morses Club and Shelby Finance will operate as standalone trading entities, fully in line with all applicable accounting practices, viability tests, operating costs and liabilities.

3. EFFECTS OF THE SCHEME

3.1 The effects of implementing the Scheme will be as follows:

- (a) instead of owning Morses Club Ordinary Shares, each Morses Club Shareholder will own the same number of U Money Ordinary Shares (with the exception of U Money Subscriber Shareholders who will be issued one less U Money Ordinary Shares as a result of their ownership of one subscriber share each in U Money before the Scheme Effective Date);
- (b) U Money will be issued the same number of New Shares as are cancelled as part of the Scheme;
- (c) U Money will become the new holding company of the Group; and
- (d) instead of having the Morses Club Ordinary Shares owed by the Morses Club Shareholders, Morses Club will become a wholly-owned subsidiary of U Money.

3.2 Following the Scheme Effective Date, any future issues of shares in U Money shall be by U Money as determined by its board of directors, in accordance with the U Money's articles and corporate authorities.

4. LONDON AIM QUOTATION

4.1 It is expected that the U Money Ordinary Shares will be quoted and dealings in U Money Ordinary Shares on AIM will commence at 8.00 a.m. on 12 October 2021. Concurrently, it is expected that the Morses Club Ordinary Shares will be delisted from AIM.

5. REDUCTIONS OF CAPITAL

5.1 As part of the Group restructuring, there will be two reductions of capital: a reduction of capital undertaken by the Company, as a technical step as part of the Scheme (the *Company Reduction of Capital*), and a reduction of capital undertaken by U Money, expected to occur on the Scheme Effective Date (the *U Money Reduction of Capital*).

5.2 As part of the Scheme, the Scheme Shares will be cancelled via the Company Reduction of Capital and a reserve will be created in the Company's non-statutory accounts. The Company will capitalise this reserve and apply it in paying up the same number of new shares to be issued to U Money as part of the Scheme. Following this step, the Company will be a wholly owned subsidiary of U Money.

- 5.3 Shortly after the Scheme Effective Time, U Money Ordinary Shares will be issued to you at market value. The difference between the market value and the nominal value of the shares issued to you will create a reserve which will be credited to U Money's balance sheet as a merger reserve. Section 612 of the Act requires that if a company issuing shares does so in an arrangement in which it secures at least a 90% equity holding in another company, and the issuing company issues those shares at a premium, section 610 of the Act does not apply to the premiums on those shares. Instead of crediting the premiums to a share premium account, if the company records the shares acquired by it at fair value can in effect credit the amount of the premiums to a merger reserve. A merger reserve is in law a profit and is initially treated as unrealised. It is possible to capitalise the merger reserve and the share capital created and issued from this merger reserve (as set out below) can then be cancelled to create distributable reserves.
- 5.4 In order to access this reserve and create distributable reserves at U Money level, U Money will issue such number of deferred shares of £0.01 nominal value (the *Deferred Shares*) as are equal to the value of the merger reserve to a nominee shareholder, the Company Secretary, who will hold these shares on behalf of each shareholder of U Money. This action will occur momentarily and is a technical legal and accounting step only.
- 5.5 These Deferred Shares will be cancelled through a separate court process conducted by U Money and the reserve created from this reduction will become distributable reserves for the purposes of U Money's accounts (the *U Money Reduction of Capital*). As set out above, this is a legal and accounting adjustment and will not have any impact on the market value of the U Money Ordinary Shares.
- 5.6 The requisite U Money shareholder approval for the U Money Reduction of Capital will be given by the two subscriber shareholders of U Money, and it is expected that all the steps required before the court confirms the U Money Reduction of Capital will be taken before the U Money shares are issued to Scheme Shareholders under the Scheme. It is also expected that the U Money Reduction of Capital will become effective on or about the date that the U Money shares are issued to Scheme Shareholders. Further details in relation to the U Money Reduction of Capital are contained in Part II - *Explanation of the Scheme and its Effects* of this document.

6. A SHARE

- 6.1 It is proposed that U Money will acquire one ordinary share of £0.01 in the Company (the *A Share*) after the General Meeting but before the Scheme Effective Date and prior to the Scheme Effective Date. This is in order to facilitate the allotment of the new ordinary shares in Morses Club to U Money as part of the scheme without the requirement for an independent valuation report to be prepared. The A Share will not be a Scheme Share and will therefore not be cancelled as part of the Scheme but will continue to be held by U Money post-Scheme Effective Date, once it becomes the holding company of the Group. This A Share will be an ordinary share of £0.01 in U Money and will have no rights in addition to those of the existing Morses Club Ordinary Shares.
- 6.2 This does not affect the result that from the Scheme Effective Date the shareholdings in U Money will be substantially the same for current members as they are currently holding in Morses Club.

7. ACTION TO BE TAKEN

- 7.1 The Scheme is conditional upon the matters which are set out in full in paragraph 5 of Part II - *Explanation of the Scheme and its Effects* of this document, and include approval by the Scheme Shareholders of the Scheme at the Court Meeting and of the Resolutions at the General Meeting. Further details of the Court Meeting and the General Meeting are contained in Part VIII – *Notice of Meetings* of this document, including the action to be taken by Scheme Shareholders.
- 7.2 Notices convening the Court Meeting and the General Meeting are set out in Part VIII – *Notice of Meetings* of this document. In order that the Court can be satisfied that the votes cast fairly represent the views of Scheme Shareholders, it is important that as many votes as possible are cast at the Court Meeting by Scheme

Shareholders who are listed on the register of members. If you hold your shares through a nominee, the nominee who is listed on the register of members of the Company will be entitled to vote. Scheme Shareholders, as are listed on the register of members, are therefore urged to either appoint the Chairman or another person as a proxy or to attend the Court Meeting in person or by proxy, further details of which are set out in Part VIII – *Notice of Meetings* of this document.

- 7.3 If you have any questions about this document, the Scheme, the Company Reduction of Capital, the U Money Reduction of Capital, the Court Meeting, the General Meeting or the Proposals or are in any doubt as to how to complete the Forms of Proxy or the voting instruction cards or appoint a proxy electronically, please call the Company shareholder helpline on 0371 664 0321 or +44 371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. We are open 9.00 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that calls may be monitored or recorded and the helpline cannot provide financial, legal or tax advice or advice on the merits of the Proposals.

8. RECOMMENDATION

- 8.1 The Board has considered the Proposals and unanimously believes the Proposals and their terms to be in the best interests of the Company and the Morses Club Shareholders as a whole.
- 8.2 Accordingly, the Board unanimously recommends the Scheme Shareholders to, or instruct their nominees or proxies to, vote in favour of the Proposals at the Court Meeting and the General Meeting, as the Directors intend to do in respect of their own shareholdings totalling 4,905,502 Scheme Shares (representing approximately 3.7 per cent. of the issued ordinary share capital of the Company) as at 12 August 2021 (being the latest practicable date prior to publication of this document).

Yours sincerely

Stephen Karle

Chairman

PART II EXPLANATION OF THE SCHEME AND ITS EFFECTS

(Explanatory statement in compliance with section 897 of the Companies Act 2006)

Dear Shareholder,

Morses Club - Recommended Proposals in respect of the introduction of a new, AIM quoted, holding company and related matters

1. INTRODUCTION

- 1.1 On 13 August 2021, Morses Club announced its intention to implement a corporate reorganisation pursuant to which it is proposed that a new holding company be introduced for the Group. The new company, U Money PLC, is a newly incorporated company registered in England and Wales. It is intended that this new corporate structure will be implemented by means of a members' scheme of arrangement under Part 26 of the Act and that the subsequent U Money Reduction of Capital will be used to create distributable reserves at the U Money level.
- 1.2 As set out in further detail in paragraph 5 below, the Scheme (and the Company Reduction of Capital as part of the Scheme) is subject to various conditions, including the approval of Scheme Shareholders and the Court. If these conditions are satisfied and the Scheme is approved and implemented in full, U Money will own the entire issued share capital of Morses Club.
- 1.3 Your attention is drawn to the letter from the Chairman of Morses Club set out in Part I – *Letter from the Chairman* of this document, which forms part of this Explanatory Statement, as does the Summary contained in on pages 9 to 12 of this document. That letter, amongst other things, outlines the reasons for the Proposals and contains the unanimous recommendation by the Board to Scheme Shareholders to vote in favour of the Proposals at the Court Meeting and the General Meeting. The Directors intend to, or intend to instruct their nominees to, vote their own shareholdings of Scheme Shares, totalling 4,905,052 Scheme Shares (representing approximately 3.7 per cent. of Morses Club's issued ordinary share capital as at 12 August 2021 (being the latest practicable date prior to publication of this document)), in favour of the Proposals at the Court Meeting and the General Meeting.
- 1.4 That letter also states that the Board considers the Proposals and their terms to be in the best interests of Morses Club and Morses Club Shareholders as a whole.
- 1.5 It is expected that, if the conditions to the Scheme have been satisfied, the Scheme will become effective and trading in the U Money Ordinary Shares will commence on AIM on 12 October 2021.

2. BACKGROUND TO AND REASONS FOR THE PROPOSALS

- 2.1 The Board believes that the Proposals, which provide for the introduction of an additional new, AIM quoted, holding company which will be effected through the Scheme and the connected Company Reduction of Capital and the subsequent U Money Reduction of Capital, are the most effective way to structure the Group and create distributable reserves.
- 2.2 Changes to market conditions and customer needs as a result of the COVID-19 pandemic have created a strategic opportunity for Morses Club to accelerate its digital offering whilst building on its position as the UK's second largest provider of HCC products. In responding to the changes within the market, the Company recognises that adoption of a more closely aligned Group structure, with distinct business lines, provides a more appropriate operating model.
- 2.3 The Scheme is being undertaken to create a more usual corporate group structure for this type of business. Following the Scheme, the Group will maintain a non-operational holding entity, U Money, at the top of the Group, which is a pure holding company. At present the Company, the Group's current holding entity, also has an operating business and is therefore currently both a holding entity and an operating company.

- 2.4 The Group has two business divisions, home collected credit (*HCC*) and digital lending (*Digital*), which offer distinct forms of non-standard finance. HCC operates under the Company's brand and provides to customers small, short-term loans, with Digital operating under Shelby Finance and providing fully online instalment loans to customers through its brand Dot Dot Loans and U Account. The proposed structure following the Scheme has the new holding company, U Money, inserted above Morses Club and Shelby Finance. Each of the Company and Shelby Finance become direct subsidiaries of U Money. As such, the two distinct businesses will be held in separate subsidiaries by a common holding company (see current and proposed structure chart in paragraph 1.4 of the Summary above). Each of the Company and Shelby Finance will remain FCA regulated. The other direct subsidiary, Shopacheck Financial Services Limited, is non-trading. Investment and funding in the two businesses will be simplified, as will future decisions for the operation and expansion of the Group by using a subsidiary model for the development of distinct business lines.
- 2.5 There will be no direct impact for the Group's customers. Morses Club and Shelby Finance customers will continue to be served by their current FCA-regulated providers. Each trading company will continue to operate within its existing regulatory permissions and in line with the marketing and data sharing permissions agreed with customers and granted by customers. The Group's high standards of governance and oversight, with the necessary supporting committee structures, will be maintained with Morses Club, and reflected within U Money, to ensure that the interests of the Group's customers and shareholders continue to be considered, with full adherence to the Group's regulatory obligations and permissions. Morses Club and Shelby Finance will operate as standalone trading entities, fully in line with all applicable accounting practices, viability tests, operating costs and liabilities.

3. EFFECTS OF THE SCHEME

- 3.1 The effects of implementing the Scheme will be as follows:
- (a) instead of owning Morses Club Ordinary Shares, each Morses Club Shareholder will own the same number of U Money Ordinary Shares (with the exception of U Money Subscriber Shareholders who will be issued one less U Money Ordinary Shares as a result of their ownership of one subscriber share each in U Money before the Scheme Effective Date);
 - (b) U Money will become the new holding company of the Group; and
 - (c) instead of having the Morses Club Ordinary Shares owned by the Morses Club Shareholders, Morses Club will become a wholly-owned subsidiary of U Money.
- 3.2 Following the Scheme Effective Date, any future issues of shares in U Money shall be by U Money as determined by its board of directors.

4. SUMMARY OF THE SCHEME

- 4.1 The principal steps involved in the Scheme are as follows:
- (a) ***Cancellation of Scheme Shares***
 - (i) All of the Scheme Shares will be cancelled on the Scheme Effective Date (which is expected to be 12 October 2021) via the Company Reduction of Capital which forms part of the Scheme.
 - (ii) In consideration for the cancellation of the Scheme Shares, the Scheme Shareholders will receive, in respect of any Scheme Shares held as at the Scheme Record Time for each one Scheme Share cancelled one U Money Ordinary Share (with the exception of the U Money Subscriber Shareholders who will be offered one less share each in U Money).
 - (iii) From the Scheme Effective Time, the rights attaching to the U Money Ordinary Shares will be substantially the same as those attaching to the Morses Club Ordinary Shares.

(b) ***Establishing U Money as the new holding company of the Group***

- (i) Immediately upon the cancellation of the Scheme Shares, the credit arising in the accounts of Morses Club as a result of the cancellation will be capitalised and applied in paying up, in full at par, such number of New Shares as shall be equal to the number (and aggregate nominal value) of the Scheme Shares cancelled. The New Shares will be allotted and issued, credited as fully paid, to U Money which will, as a result, become the new holding company of Morses Club and the Group.

(c) ***Issue of the A Share to U Money***

- (i) The allotment and issue of the A Share to U Money will facilitate the allotment and the issue of the new shares in Morses Club to U Money without the need for an independent valuation report.

(d) ***Amendments to Morses Club's Articles***

Among generic amendments (as described in more detail in paragraph (ii) below, the following amendments shall be made to the articles of association of Morses Club:

- (i) as an addition at Article 214, to avoid any future ordinary shares being issued in Morses Club where they should be issued in U Money as part of the employee share schemes:

“Shares not otherwise subject to the Scheme

Notwithstanding any other provision of these Articles, if the Company issues any shares on or after the date of adoption of this Article 214 and at or prior to the Scheme Record Time (as defined in the Scheme of Arrangement Circular), such shares shall be issued subject to the terms of the Scheme of Arrangement (and shall be scheme shares for the purposes of the Scheme) and the holder or holders of such shares shall be bound by the Scheme of Arrangement accordingly:

- (I) If any shares in the Company are allotted and issued to any person other than U Money and/or its nominee or nominees (a ***New Member***) after the Scheme Record Time, they will immediately be transferred to U Money and/or its nominee or nominees in consideration of and conditional on the issue or transfer to the New Member of one U Money Ordinary Share for every one share in the Company so transferred. The U Money Ordinary Shares issued or transferred pursuant to this Article 214 to the New Member will be credited as fully paid and will rank equally in all respects with all U Money Ordinary Shares in issue at the time and be subject to the memorandum and articles of association of U Money.
- (II) The number of U Money Ordinary Shares to be issued or transferred to the New Member under this Article 214 may be adjusted by the directors in such manner as the auditors of the Company may determine on any reorganisation or material alteration of the share capital of either the Company or of U Money or any other return of value to holders of U Money Ordinary Shares, provided always that any fractions of U Money Ordinary Shares shall be disregarded and shall be aggregated and sold for the benefit of U Money.
- (III) In order to give effect to any such transfer required by this Article 214, the Company may appoint any person to execute and deliver a form of transfer on behalf of the New Member in favour of U Money and/or its nominee or nominees and to agree for and on behalf of the New Member to become a member of U Money. Pending the registration of U Money as holder of any share to be transferred pursuant to this Article 214, U Money shall be empowered to appoint a person nominated by the directors to act as agent and/or irrevocable appointee on behalf of any holder of such share in

accordance with such directions as U Money may give in relation to any dealings with or disposal of such share (or any interest therein), exercising any rights attached thereto or receiving any distribution or other benefit accruing or payable in respect thereof and any holder of such share shall exercise all rights attached thereto in accordance with the directions of U Money but not otherwise.

(IV) If the Scheme of Arrangement shall not have become effective by the applicable date referred to in (or otherwise set in accordance with) the Scheme of Arrangement Circular, this Article 214 shall cease to be of any effect.”

(ii) Further amendments to the articles include:

- wording setting out the rights and obligations attached to deferred shares and their issue by Morses Club;
- changes expressly permitting the holding of hybrid and entirely virtual general meetings and providing for security at electronic meetings;
- aligning wording regarding untraced shareholders with the Act and market position and removing outdated wording in relation to issuance of bearer shares;
- wording added to provide for greater flexibility in relation to the methods of payment of dividends;
- minor updates to provisions regarding receipt of notice and proxy appointments; and
- minor changes to definitions and formatting where necessary and adopting gender neutral language throughout.

5. CONDITIONS TO IMPLEMENTATION OF THE SCHEME

5.1 The implementation of the Scheme is conditional upon:

- (a) the approval of the Scheme by a majority in number, and at least 75 per cent. in value of the Scheme Shares held by Scheme Shareholders present and voting, either in person or by proxy, at the Court Meeting (or at any adjournment of such meeting);
- (b) the passing of the Resolutions set out in the notice of the General Meeting (contained in Part VIII – *Notice of Meetings* of this document) to approve the Scheme and various matters in connection with the Scheme which steps include: (A) the cancellation of the Scheme Shares; (B) the issue and allotment of New Shares in the Company to U Money; (C) the issue and allotment of the A Share to U Money; (D) changes to the Company’s Articles; and (E) Delisting;
- (c) the sanction of the Scheme by the Court at the Scheme Sanction Hearing;
- (d) an office copy of the Scheme Sanction Order (including a copy of the related statement of capital) having been delivered to the Registrar of Companies for registration;
- (e) the regulatory approval by the FCA of U Money becoming a controller of the Group under FSMA; and
- (f) permission having been granted by AIM for Delisting and Admission (subject to the allotment of the U Money Ordinary Shares and satisfaction of conditions (a) to (d) above, save to the extent such conditions are already satisfied) the U Money Ordinary Shares to be issued in connection with the Scheme to AIM.

5.2 The Directors will not take the necessary steps to implement the Scheme unless the above conditions have been satisfied (or waived to the extent permitted by law) and, at the relevant time, they consider that it

continues to be in Morses Club's best interests and that of the Morses Club Shareholders that the Scheme should be implemented.

- 5.3 The date of the Scheme Sanction Hearing (at which it is proposed that the Court sanction the Scheme and the Company Reduction of Capital), is expected to be held on or around 5 October 2021. The Company will keep Scheme Shareholders and creditors, if any, in relation to the date or place of the Scheme Sanction Hearing via the Company's website or RIS.
- 5.4 The Scheme contains a provision for Morses Club and U Money jointly to consent, on behalf of all persons concerned, to any modification of or additions to the Scheme, or to any condition that the Court may think fit to approve or impose. Morses Club has been advised by its legal advisers that the Court would be unlikely to approve or impose any modification of, or addition or condition to, the Scheme which might be material to the interests of Scheme Shareholders unless Scheme Shareholders were informed of any such modification, addition or condition. It will be a matter for the Court to decide, in its discretion, whether or not further meetings of Scheme Shareholders should be held. If the Court does approve or impose a modification of, or addition or condition to, the Scheme which, in the opinion of the Directors, is such as to require the consent of the Scheme Shareholders, the Directors will not take the necessary steps to enable the Scheme to become effective unless and until such consent is obtained.
- 5.5 If the Scheme is sanctioned by the Court and the other conditions to the Scheme are satisfied (or waived so far as is legally permissible), the Scheme is expected to become effective, and dealings in U Money Ordinary Shares to be issued pursuant to the Scheme are expected to commence, on 12 October 2021.
- 5.6 If the Scheme has not become effective by 31 December 2021 (or such later date as Morses Club and U Money agree and the Court allows), it will lapse, in which event the Scheme will not proceed, there will not be a new holding company of the Group, the Scheme Shareholders will remain shareholders of Morses Club, the Morses Club Ordinary Shares will continue to be quoted on AIM and the U Money Ordinary Shares will not be quoted on AIM.
- 5.7 The full text of the Scheme and of the Resolutions to be proposed at the Court Meeting and the General Meeting are set out in Part VI – *Scheme of Arrangement* and Part VIII - *Notice of Meetings* of this document.

6. A SHARE

- 6.1 It is proposed that U Money will acquire the A Share after the General Meeting and prior to the Scheme Effective Date. This is in order to facilitate the allotment of the new shares in Morses Club to U Money as part of the scheme without the requirement for an independent valuation report to be prepared. The A Share will not be a Scheme Share and will therefore not be cancelled as part of the Scheme but will continue to be held by U Money post-Scheme Effective Date, once it becomes the holding company of the Group.
- 6.2 This does not affect the analysis that the holdings in U Money will be substantially the same for current members as they are currently holding in Morses Club.

7. THE U MONEY REDUCTION OF CAPITAL

- 7.1 It is expected that after the Scheme Effective Time on the Scheme Effective Date, U Money will seek the court's confirmation of the U Money Reduction of Capital which will create distributable reserves in the accounts of U Money. If the court confirms the reduction, it will become effective when the court's order, and the associated statement of capital, are registered by the Registrar of Companies. U Money expects these will be registered on the same day as the Scheme Effective Date, or shortly after it.
- 7.2 The U Money Reduction of Capital will involve the capitalisation of the merger reserve created when the U Money Ordinary Shares are issued to the U Money Shareholders on the Scheme Effective Date. The U Money Ordinary Shares will have been issued at a premium and the difference between the issue value and the nominal value of the U Money Ordinary Shares will be applied to U Money's merger reserve, in accordance

with section 612 of the Act. This is currently expected to create a merger reserve in the accounts of U Money of approximately £89.7 million based on the latest company balance sheet forecasts as at 30 July 2021.

- 7.3 This merger reserve will be capitalised and applied to issue such number of deferred shares of £0.01 as are equal to the value of the merger reserve to a nominee shareholder, the Company Secretary, who will hold the shares on behalf of the U Money Shareholders (the *Deferred Shares*). The Deferred Shares shall be issued as fully paid or credited as fully paid.
- 7.4 The Deferred Shares are only being issued so that they may be cancelled immediately to create distributable reserves in U Money's accounts. It is intended that U Money, on the same day that the Deferred Shares are issued, will undertake the U Money Reduction of Capital for the cancellation of these Deferred Shares.
- 7.5 The U Money Reduction of Capital is not expected to have any impact on the market value of the U Money Ordinary Shares.
- 7.6 The implementation of the U Money Reduction of Capital requires:
- (a) approval of the U Money Reduction of Capital by the shareholders of U Money;
 - (b) confirmation of the U Money Reduction of Capital by the Court at the U Money Reduction Sanction Hearing; and
 - (c) the registration by the Registrar of Companies of a copy of the U Money Reduction Sanction Order confirming the U Money Reduction of Capital and related statement of capital.

8. TAXATION

- 8.1 Your attention is drawn to paragraph 16 of Part V – *Additional Information* of this document for further information about the UK taxation consequences of the Scheme.
- 8.2 **No information is given in paragraph 16 of Part V – *Additional Information* of this document regarding the taxation consequences of the Scheme for Shareholders not resident in the UK. Shareholders who are in any doubt about their tax position are strongly advised to contact an appropriate professional, independent adviser immediately.**

9. ARTICLES OF ASSOCIATION OF U MONEY

- 9.1 The U Money Articles are substantively the same as the amended Morses Club articles proposed to be adopted at the General Meeting, with the exception of one amendment to the Morses Club Articles (new Article 214- as set out in paragraph 4.1(c) above of this Part II – *Explanation of the Scheme and its Effects*) which provides for any shares issued by Morses Club after the adoption of the articles but before the Scheme Record Time, shall be Scheme Shares. Article 214 also provides that any shares issued by Morses Club after the Scheme Record Time to any person other than U Money or its nominee shall be acquired by U Money on the same basis as under the Scheme. This article will ensure that no person other than U Money or its nominee will be left with Morses Club shares after it delists from AIM.

10. DIRECTORS' AND OTHER INTERESTS

- 10.1 As at 12 August 2021 (being the latest practicable date before the publication of this document), the Directors are:
- Graeme James Campbell;
 - Stephen Ashley Karle;
 - Sir Nigel Graham Knowles;
 - Joanne Carolyn Lake;

- Sheryl Arlene Lawrence;
- Gary Peter Marshall;
- Paul Mark Smith;
- Thomas Andrew Thomson;
- Peter Martin Ward; and
- Michael Anthony Yeates.

- 10.2 Details of the current interests of the Directors in, and options and awards relating to, U Money Ordinary Shares are set out in paragraph 7 of Part V – *Additional Information* of this document.
- 10.3 Details of the Directors’ service contracts and the terms of their appointment are set out in paragraph 9 of Part V – *Additional Information* of this document.
- 10.4 The effect of the Scheme on the interests of the Directors is set out in paragraph 7 of Part V – *Additional Information* of this document. Save as described above, the effect of the Scheme on the interests of the Directors does not differ from its effect on the like interests of other persons.

11. CREST

- 11.1 It is proposed that the U Money Ordinary Shares be made eligible for settlement in CREST, the paperless system for settlement of securities listed by the FCA, and traded on AIM. Euroclear requires U Money to confirm to it that certain conditions imposed by the CREST Regulations are satisfied before Euroclear will admit any security to CREST. It is expected that these conditions will be satisfied in respect of the U Money Ordinary Shares on Admission. As soon as practicable after satisfaction of the conditions to the Scheme, it is expected that U Money will confirm this to Euroclear.
- 11.2 Information on listing, dealings, share certificates and settlement is set out in paragraph 13 of Part II – *Explanation of the Scheme and its Effects* of this document.

12. OVERSEAS SHAREHOLDERS

General

- 12.1 The implications of the Scheme for, and the distribution of this document to, Overseas Shareholders may be affected by the laws of the relevant jurisdictions. Overseas Shareholders should inform themselves about and observe all applicable legal requirements.
- 12.2 It is the responsibility of any person into whose possession this document comes to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection with the Scheme and the distribution of this document and/or the accompanying documents, including the obtaining of any governmental, exchange control or other consents which may be required and/or compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes or levies due in such jurisdiction.
- 12.3 If, in respect of any Overseas Shareholder, U Money is advised that the allotment and issue of U Money Ordinary Shares would or might infringe the laws of any jurisdiction outside the United Kingdom, or would or might require U Money to obtain any governmental or other consent or effect any registration, filing or other formality with which, in the opinion of U Money, it would be unable to comply or which it regards as unduly onerous, the Scheme provides that U Money may determine that the U Money Ordinary Shares shall be issued to such shareholder and then sold on their behalf as soon as reasonably practicable at the best price which can reasonably be obtained at the time of sale, with the net proceeds of sale being remitted to the Overseas Shareholder at the risk of such shareholder. Alternatively, U Money may determine that no U Money Ordinary Shares shall be allotted and issued to that shareholder but instead those U Money Ordinary

Shares shall be allotted and issued to a nominee appointed by U Money as trustee for such shareholder, on terms that they shall be sold on behalf of such shareholder as soon as reasonably practicable after the Scheme becomes effective, with the net proceeds of sale being remitted to the Overseas Shareholder concerned at the risk of such shareholder.

THIS DOCUMENT DOES NOT CONSTITUTE AN INVITATION OR OFFER TO SELL OR THE SOLICITATION OF AN INVITATION OR OFFER TO BUY ANY SECURITY. NONE OF THE SECURITIES REFERRED TO IN THIS DOCUMENT SHALL BE SOLD, ISSUED, SUBSCRIBED FOR, PURCHASED, EXCHANGED OR TRANSFERRED IN ANY JURISDICTION IN CONTRAVENTION OF APPLICABLE LAW.

13. LISTING, DEALINGS, SHARE CERTIFICATES AND SETTLEMENT

- 13.1 Application will be made to AIM for all of the U Money Ordinary Shares to be admitted to trading on AIM.
- 13.2 If all of the conditions to the Scheme are satisfied, Morses Club intends to seek the de-listing of the Morses Club Ordinary Shares from AIM. The last day of dealings in Morses Club Ordinary Shares is expected to be 11 October 2021.
- 13.3 It is expected that, at 8.00 a.m. on 12 October 2021, the U Money Ordinary Shares will be issued, their Admission will become effective and that dealings in them will commence.
- 13.4 These dates may be deferred if it is necessary to adjourn any meeting required to approve the arrangements described in this document or if there is any delay in obtaining the Court's sanction of the Scheme. In the event of a delay, the application for the Morses Club Ordinary Shares to be delisted will be deferred, so that the listing will not be cancelled until immediately after the Scheme Effective Date.
- 13.5 With effect from (and including) the Scheme Effective Date, all share certificates representing the Scheme Shares will cease to be valid and binding in respect of such holdings and should be destroyed.
- 13.6 U Money Ordinary Shares can be held in Certificated or Uncertificated form. Definitive share certificates for the U Money Ordinary Shares of Morses Club Shareholders who held their Morses Club Ordinary Shares in Certificated form are expected to be dispatched by 26 October 2021. In the case of joint holders, share certificates will be dispatched to the joint holder whose name appears first in the register. All share certificates will be sent by pre-paid first class post at the risk of the person entitled thereto. Pending the dispatch of such certificates, transfers of U Money Ordinary Shares in Certificated form will be certified against the register of U Money. Temporary documents of title have not been, and will not be, issued in respect of such shares.
- 13.7 Morses Club Ordinary Shares held in Uncertificated form will be disabled in CREST on the Scheme Effective Date. For Morses Club Shareholders who hold their Morses Club Ordinary Shares in a CREST account, U Money Ordinary Shares are expected to be credited to the relevant CREST member account on 12 October 2021. CREST is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. The U Money Articles permit the holding of U Money Ordinary Shares under the CREST system. Application will be made for the U Money Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in U Money Ordinary Shares following Admission may take place within the CREST system. CREST is a voluntary system and holders of U Money Ordinary Shares who wish to receive and retain share certificates will be able to remove their U Money Ordinary Shares from the CREST system following the Scheme Effective Date.
- 13.8 U Money will have the right to issue U Money Ordinary Shares to all shareholders in Certificated form if, for any reason, it wishes to do so.
- 13.9 All instructions, mandates, elections and communication preferences in force on the Scheme Effective Date relating to notices and other communications will, unless and until varied or revoked, be deemed from the

Scheme Effective Date to be valid and effective mandates or instructions to U Money in relation to the corresponding holding of U Money Ordinary Shares.

- 13.10 All documents, certificates, cheques or other communications sent by, to, from or on behalf of Scheme Shareholders, or as such persons shall direct, will be sent entirely at their own risk.

14. MEETINGS AND CONSENTS FOR IMPLEMENTATION OF THE SCHEME

- 14.1 The Scheme will require the approval of the Scheme Shareholders at the Court Meeting, convened pursuant to an order of the Court and the passing by Scheme Shareholders of the Resolutions set out in the notice of the General Meeting. Both of the Meetings have been convened for 8 September 2021 and will be held at Suite 2.01, One City West, Gelderd Road, Leeds, LS12 6NJ. The Scheme also requires a separate sanction from the Court.
- 14.2 Notices of the Court Meeting and the General Meeting are contained in Part VIII – *Notice of Meetings* of this document.
- 14.3 Entitlement to attend and vote at these Meetings and the number of votes which may be cast thereat will be determined by reference to the register of members of Morses Club at the Scheme Voting Record Time. All Scheme Shareholders whose names appear on the register of members of Morses Club at the Scheme Voting Record Time, shall be entitled to attend and speak and vote at the relevant Meeting in respect of the number of Scheme Shares registered in their name at that time.

Court Meeting

- 14.4 The Court Meeting has been convened for 10.30 a.m. on 8 September 2021 pursuant to an order of the Court. At the Court Meeting, or at any adjournment thereof, the Scheme Shareholders will consider and, if thought fit, approve the Scheme.
- 14.5 Voting at the Court Meeting will be by poll and not on a show of hands and each Scheme Shareholder entitled to attend and who is present in person or by proxy will be entitled to one vote for each Scheme Share held. The statutory majority required under section 899 of the Companies Act 2006 to approve the Scheme at the Court Meeting is a simple majority in number of the Scheme Shareholders present and voting (either in person or by proxy) at the Court Meeting and representing not less than 75 per cent. of the nominal value of the Scheme Shares voted (either in person or by proxy) by such Scheme Shareholders.
- 14.6 **In order that the Court can be satisfied that the votes cast constitute a fair representation of the views of the Scheme Shareholders, it is important that as many votes as possible are cast at the Court Meeting. Scheme Shareholders are therefore urged to take the action referred to in paragraph 17 of this Part II - *Explanation of the Scheme and its Effects.***
- 14.7 **It is also particularly important to be aware that if the Scheme is approved and becomes effective, it will be binding on all Scheme Shareholders irrespective of whether they attended the Court Meeting and irrespective of the manner in which they voted.**

General Meeting

- 14.8 The General Meeting has been convened for 10.50 a.m. on 8 September 2021. At the General Meeting or at any adjournment thereof, Scheme Shareholders will consider and, if thought fit, pass the Resolutions set out in the notice of the General Meeting contained in Part VIII – *Notice of Meetings* of this document.

Special Resolutions

- 14.9 The Special Resolutions set out in the notice of the General Meeting are proposed in order to approve:
- (a) the adoption of the amended articles of association for Morses Club in substitution for the Morses Club Articles; and

- (b) the Scheme and the connected Morses Club Reduction of Capital, including:
 - (i) the cancellation of the Scheme Shares; and
 - (ii) the application of the reserve arising as a result of the cancellation of the Scheme Shares in paying up the New Shares and the allotment of the New Shares to U Money by the Directors pursuant to the Scheme (such authority to allot will (unless previously revoked, varied or renewed) lapse on 31 December 2021); and
 - (c) Delisting.
- 14.10 The majority required for the passing of the Special Resolutions is not less than 75 per cent. of the votes cast (in person or by proxy) at the General Meeting. Voting on the Special Resolutions will be by poll and not on a show of hands.

Forms of Proxy and voting instruction cards

- 14.11 For your convenience, the Forms of Proxy are accompanied by a business reply paid envelope and addressed to Morses Club's Registrar, Link Group. Forms of Proxy should be returned as soon as possible and, in any event, by no later than 10.50 a.m. on 6 September 2021 in the case of the white Form of Proxy in relation to the General Meeting and 10.30 a.m. on 6 September 2021 in the case of the blue Form of Proxy in relation to the Court Meeting. If the blue Form of Proxy for use at the Court Meeting is not returned by the above time, it may be handed to Morses Club's Registrar, Link Group, or the Chairman of the Court Meeting, before the start of that Meeting. However, in the case of the General Meeting, unless the white Form of Proxy is returned by the time mentioned in the instructions printed on it, it will be invalid. The completion and return of a Form of Proxy (or appointment of a proxy electronically) will not prevent you from attending and voting in person at either the Court Meeting or the General Meeting, or at any adjournment thereof, if you so wish and are so entitled.

The Forms of Proxy and voting instruction cards should be completed in accordance with the instructions printed on them.

Sanction of the Scheme by the Court

- 14.12 Under the Companies Act, the Scheme requires the sanction of the Court. The Scheme Sanction Hearing to sanction the Scheme will be announced on the Company's website or via RIS (it is currently expected to occur on 5 October 2021). All Scheme Shareholders are entitled to attend the Scheme Sanction Hearing in person or through Counsel to support or oppose the sanctioning of the Scheme.
- 14.13 The Scheme will become effective as soon as an office copy of the Scheme Sanction Order (including a copy of the related statement of capital) has been duly delivered to the Registrar of Companies for registration. This is expected to occur on 12 October 2021.

Confirmation of the U Money Reduction of Capital

- 14.14 Under the Companies Act, the U Money Reduction of Capital also requires the sanction of the Court. The U Money Reduction Sanction Hearing to confirm the U Money Reduction of Capital is expected to occur on 12 October 2021. Any creditors or shareholders of U Money are entitled to attend the U Money Reduction Sanction Hearing in person or through a legal representative to support or oppose the sanctioning of the U Money Reduction of Capital.
- 14.15 The U Money Reduction of Capital will become effective as soon as an office copy of the U Money Reduction Sanction Order (including a copy of the related statement of capital of U Money) has been registered by the Registrar of Companies for registration.

15. AUTHORITIES RELATING TO U MONEY'S SHARE CAPITAL

- 15.1 Prior to the Court Meeting, the U Money Subscriber Shareholders and U Money board of directors are expected to pass certain resolutions in order to, among other matters, authorise U Money to carry out the actions required of it in relation to the Proposals, including the approval of:
- (a) the allotment of the U Money Ordinary Shares to the Scheme Shareholders pursuant to the scheme; and
 - (b) the U Money Reduction of Capital.
- 15.2 It is expected that the authorities to be granted to the U Money board of directors in relation to allotment of U Money Ordinary Shares will be equivalent to the corresponding authorities currently granted to the Directors.

16. FURTHER INFORMATION

- 16.1 You should read the whole of this document.
- 16.2 Your attention is drawn, in particular, to the summary set out at the front of this document, the letter from your Chairman in Part I – *Letter from Chairman* of this document, the Additional Information set out in Part V – *Additional Information* of this document, the Scheme set out in Part VI – *Scheme of Arrangement* of this document and the Notices of Meetings in Part VIII – *Notices of Meetings* of this document.

17. ACTION TO BE TAKEN

- 17.1 Scheme Shareholders will find enclosed with this document:
- (a) a blue Form of Proxy for use at the Court Meeting;
 - (b) a white Form of Proxy for use at the General Meeting; and
 - (c) a business reply paid envelope.
- 17.2 It is important that, for the Court Meeting in particular, as many votes as possible are cast so that the Court may be satisfied that there is a fair and reasonable representation of Scheme Shareholders opinion.
- 17.3 Whether or not you plan to attend the Meetings in person, you are strongly encouraged, if you hold Scheme Shares, to sign and return both Forms of Proxy or to appoint a proxy electronically as referred to below, as soon as possible and in any event so as to be received by Morses Club's Registrar, Link Group, at their address: 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL as follows:

Blue Forms of Proxy for the Court Meeting by 10.30 a.m. on 6 September 2021

White Forms of Proxy for the General Meeting by 10.50 a.m. on 6 September 2021

(or, in the case of an adjourned meeting, not less than 48 hours prior to the time and date set for the adjourned meeting).

- 17.4 If you hold your Scheme Shares in Uncertificated form (i.e. in CREST), you may vote using the CREST voting service in accordance with the procedures set out in the CREST Manual (please also refer to the accompanying notes for the notice of the General Meeting set out at the end of Part VIII – *Notices of Meetings* of this document). Proxies submitted via CREST (under CREST participant RA10) must be received by Morses Club's Registrar, Link Group, not later than 10.30 a.m. on 6 September 2021 in the case of the Court Meeting and by 10.50 a.m. on 6 September 2021 in the case of the General Meeting (or, in the case of an adjourned meeting, not less than 48 hours prior to the time and date set for the adjourned meeting).
- 17.5 The return of the Forms of Proxy (or appointment of a proxy electronically) will not prevent you from attending either of the Meetings and voting in person if you wish. In each case, the Forms of Proxy and voting instruction cards should be completed in accordance with the instructions printed on them.

- 17.6 The blue Form of Proxy in respect of the Court Meeting may also be handed to Morses Club's Registrar, Link Group, or the Chairman at the Court Meeting before the start of the Meeting. However, in the case of the General Meeting, the white Form of Proxy will be invalid unless it is lodged so as to be received at least 48 hours before the time appointed for such Meeting.

PART III RISK FACTORS

An investment in the U Money Ordinary Shares involves a degree of risk. Accordingly, Morses Club Ordinary Shareholders should carefully consider the specific risk factors set out below in addition to the other information contained in this document before voting on the Proposals. The Board considers the following risks factors to be the most significant for the Group, but the risks listed do not necessarily comprise all those associated with an investment in the Group and are not set out in any particular order of priority.

If any of the following risks actually occur, the Group's business, financial condition, capital resources, results or future operations could be materially adversely affected. In such a case, the price of the U Money Ordinary Shares could decline and investors may lose all or part of their investment.

Additional risks and uncertainties not currently known to the Board may also have an adverse effect on the Group's business and the information set out below does not purport to be an exhaustive summary of the risks affecting the Group. In particular, the Group's performance may be affected by changes in the market and/or economic conditions and in legal, regulatory and tax requirements.

An investment in the U Money Ordinary Shares described in this document is speculative. Morses Club Ordinary Shareholders are accordingly advised to consult a person authorised for the purposes of FSMA who specialises in advising on the acquisition of shares and other securities before making any decisions on the Proposals. Shareholders should consider carefully whether the Proposals are suitable in the light of his or her personal circumstances and the financial resources available to him or her. If you are in any doubt about the action you should take, you should consult your independent professional adviser authorised under FSMA.

Risks relating to the business of the Group

Damage to the Group's reputation could have a material adverse effect on the Group

The Group could suffer damage to, or a decline in, the Group's reputation, for example, through poor customer outcomes resulting in a high level of complaints, fines, penalties, censure or other sanction or legal action arising from failure to identify or meet regulatory and legislative requirements or through cyber-crime and other IT system failures. The occurrence of any or a combination of factors which damage, or result in a decline in, the Group's reputation could have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

The Group is subject to credit risk

The risk of default on a debt may arise from a borrower failing to make the necessary payments. The primary risk lies with the lender and includes lost principal and interest, disruption to cash flow, and increased collection costs. In the event of defaults by a significant proportion of borrowers, this could have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

The Group is subject to wider industry risk

The Group is subject to wider industry risk which can arise from (i) concerted action by Claims Management Companies (*CMCs*) which can lead to a significant increase in the level of complaints being raised against the Group, whether they are ultimately settled or rejected, (ii) a change of approach by the Financial Ombudsman (*FOS*) resulting in more complaints being upheld, and/or (iii) the increased cost of each FOS claim, whether the complaint is upheld or not. The costs of claims and complaints against the Group as a result of these industry risks could have material adverse effects on the Group's business, financial condition, results of operations and/or prospects.

The Group is subject to operational risk

The Group is subject to the risk of loss arising from inadequate or failed procedures, systems or policies, employee errors, system failure, business continuity plan failing to maintain customer service, fraud, or other criminal activity – indeed any event that disrupts business processes. The occurrence of any or a combination of factors which damage,

or result in a decline in, the Group's reputation could have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

The Group is subject to liquidity risk

The Group is subject to any member of the Group being unable to meet its current and future financial obligations on time. The continued compliance with these obligations depends on a number of factors, some of which are outside the Group's control. A breach of such obligations in the longer term could cause a default with respect to the debt and, if unremedied, result in the accelerated maturity of some or all of the indebtedness of the Group. This would have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

The Group is subject to IT and cyber risk

The Group is subject to the risk of business interruption from cyber-crime or system failures. These risks include (i) IT systems and networks can be damaged and/or information can be lost owing to third-party actions, (ii) data protection/information security issues occur or there is a failure to meet the requirements of data protection regulation/legislation (e.g. GDPR), (iii) strategy and architecture risk arising from inadequate requirements and business analysis, (iv) outsourced supplier risk arising from the use of external IT platforms and/or (v) major change impacts on daily business and/or results in poor quality delivery. In the event any or a combination of these IT and/or cyber risks materialise, this could have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

The self-employed status of the Group's agents changes

There is a risk that employment and/or tax legislation changes to such an extent that the Company cannot maintain self-employed status for its agents. In the event such changes are implemented, this could have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

Global economies and financial markets are volatile, which could have a material adverse effect on the Group

The financial condition and performance of companies operating in the consumer credit sector such as the Group can be significantly affected by regional and global economic conditions. As a result, any worsening of general economic conditions or deterioration of the commercial soundness of financial institutions may have a material adverse effect on the Group. An economic downturn or continued lack of credit could adversely affect the credit quality of the Group's assets by increasing the risk that a greater number of its customers would be unable to meet their obligations, for instance, if they were affected by high unemployment levels. This is particularly true of the unsecured consumer finance sector, where customer loan default rates are higher than mainstream finance.

The Group's financial condition and operating results could also be affected by fluctuations in interest rates that are beyond its control. Interest rates are sensitive to many factors, including the policies of central banks, local and international economic conditions, rates of inflation and political factors. For example, an increase in interest rates may reduce overall demand for new loans by the Group's customers and increase the risk of customer default. The Group might not be able to adequately protect itself from the adverse effects of future interest rate fluctuations, which could lead to a reduction in revenue and adversely affect the Group's business, results of operations and/or financial condition.

COVID-19 pandemic

There is a risk that the normal business of the Group is significantly affected by COVID-19 restricting face-to-face contact with customers, and reducing the demand for loans. These risks, depending on the continuing severity of the pandemic and the measures put in place by government bodies may have a material adverse impact on the business of the Group.

Risks relating to the Group's strategy

Strategic and business risk

The Group is subject to the risk arising from poor business decisions, substandard execution of decisions, inadequate resource allocation, and/or from failure to adapt sufficiently to changes in the business environment. For example, this could include (i) acquisitions stretching resources beyond capability, (ii) failure to maintain the Group's competitiveness in its markets, (iii) inadequate corporate governance. If circumstances were to arise in which the Group exercised poor business decision judgment, substandard execution of decisions, inadequate resource allocation and/or failed to adapt sufficiently to changes in the business environment, this could have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

Risks relating to regulation and compliance

The Group is subject to regulatory compliance risk

As a business currently operating in a highly regulated sector, U Money and the Group are subject to the risk of legal or regulatory action resulting in fines, penalties, censure or other sanction or legal action arising from failure to identify or meet regulatory and legislative requirements. This also includes the risk that new regulation(s) or changes to the interpretation or implementation of existing regulation(s) may affect the Group's operations and cost base. Any of these risks, should they materialise, could have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

The Group is subject to regulatory conduct risk

As a business currently operating in a highly regulated sector, U Money and the Group are subject to the risk of poor outcomes for customers by, for example, offering inappropriate products, failing to assess affordability, failing to identify vulnerable customers and/or failing to show forbearance if customers struggle with their repayments. Failure to identify or meet such regulatory conduct requirements could result in legal or regulatory action resulting in fines, penalties, censure or other sanction or legal action. Any of these risks, should they materialise, could have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

Morses Club has, and from the Scheme Effective Date, U Money will have, a substantial shareholder

Hay Wain Group owns 35.28 per cent. of the issued Ordinary Share capital of Morses Club. From the Scheme Effective Date, Hay Wain Group will own 35.28 per cent. of the issued Ordinary Share capital of U Money. As a result, Hay Wain Group will be able to exercise significant influence over matters requiring shareholder approval, including the future issues of Ordinary Shares and the election of directors and to veto or seek to approve fundamental changes of business. This concentration of ownership may have the effect of delaying, deferring, deterring or preventing a change in control, depriving shareholders of the opportunity to receive a premium for their Ordinary Shares as part of a sale of the Group, impeding a merger, consolidation, takeover or other business combination or discouraging a potential acquiror from making a tender offer or otherwise attempting to obtain control. The interests of Hay Wain Group may not necessarily be aligned with those of the other shareholders. Accordingly, Hay Wain Group could influence the Group's business in a manner that may not be in the interests of other shareholders. For example, Hay Wain Group can prevent special resolutions of the Company being passed. The concentration of ownership could also affect the market price and liquidity of the U Money Ordinary Shares.

Morses Club is, and U Money from the Scheme Effective Date will be, a party to a Relationship Deed with Hay Wain Group. The Relationship Deed is intended to allow U Money to operate its business independently from Hay Wain Group and ensure that commercial transactions and relationships with Hay Wain Group are conducted on an arm's length basis. However, the Relationship Deed may not contemplate all instances in which the interests of Hay Wain Group differ from those of the other shareholders and/or may be difficult to enforce. If Hay Wain Group seeks to influence the Group's business in a manner that may not be in the interests of other shareholders, the Group's business, results of operations, financial condition and prospects, and the trading price of the U Money Ordinary Shares could be adversely affected.

Risks relating to the investment in U Money Ordinary Shares

Risk attaching to the market in U Money Ordinary Shares

Following Admission, the market price of the U Money Ordinary Shares may be volatile and may go down as well as up and investors may therefore be unable to recover their original investment. The Group's operating results and prospects from time to time may be below the expectations of market analysts and investors and may be influenced by market perceptions of the Group and various other factors and events, including but not limited to regulatory changes affecting the Group's operations, variations in the Group's operating results, business developments of the Group and/or its competitors. At the same time, stock market conditions may affect the U Money Ordinary Shares regardless of the operating performance of the Group. Stock market conditions are affected by many factors, such as general economic outlook or interest rates, national and global economic and financial conditions, currency fluctuations, commodity prices, changes in investor sentiment towards particular market sectors and the demand and supply of capital. Accordingly, the market price of the U Money Ordinary Shares may not reflect the underlying value of the Group's net assets, and the price at which investors may dispose of their U Money Ordinary Shares at any point in time may be influenced by a number of factors, only some of which pertain to the Group while others of which may be outside the Group's control.

Investors may not be able to realise returns on their investment in U Money Ordinary Shares within a period that they would consider to be reasonable

Investments in U Money Ordinary Shares may be relatively illiquid. There may be a limited number of shareholders and this factor may contribute both to infrequent trading in U Money Ordinary Shares on AIM and to volatile U Money Ordinary Share price movements. Investors should not expect that they will necessarily be able to realise their investment in U Money Ordinary Shares within a period that they would regard as reasonable. Accordingly, the U Money Ordinary Shares may not be suitable for short-term investment. Admission should not be taken as implying that there will be an active trading market for U Money Ordinary Shares. Even if an active trading market develops, the market price for U Money Ordinary Shares may fall below the issue price.

Overseas shareholders may be subject to exchange rate risks

The U Money Ordinary Shares are priced in UK Sterling, and will be quoted and traded in UK Sterling. In addition, any dividends U Money may pay will be declared and paid in UK Sterling. Accordingly, holders of U Money Ordinary Shares resident outside the UK jurisdiction are subject to risks arising from adverse movements in the value of their local currencies against the UK Sterling, which may reduce the value of U Money Ordinary Shares, as well as that of any dividends paid.

AIM

Application has been made for the U Money Ordinary Shares to be admitted to AIM, 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. An investment in shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List of the United Kingdom Listing Authority. AIM has been in existence since June 1995 but its future success, and liquidity in the market for U Money's securities, cannot be guaranteed.

Dividends

The dividend policy of U Money, and the Group, is dependent upon its financial condition, cash requirements, future prospects, profits available for distribution and other factors deemed to be relevant at the time and on the continued health of the markets in which it operates. Consequently, U Money and the Group may not pay dividends in the foreseeable future.

Tax considerations

Changes in tax laws or subordinate legislation or the practice of any taxation authority could have a material adverse effect on the Group. An investment in the Group may involve complex tax considerations which may differ for each

investor and each investor is advised to consult its own tax advisers. Any tax legislation and its interpretation and the legal and regulatory regimes which apply in relation to an investment in the Group may change at any time.

Investors should refer to paragraph 16 of Part V– *Additional Information* for a summary of the possible tax consequences of owning the U Money Ordinary Shares.

There is no guarantee that U Money will maintain its quotation on AIM

U Money cannot assure investors that U Money will always retain a quotation on AIM. Additionally, if in the future U Money decides to obtain a listing or quotation on another exchange in addition to AIM, the level of liquidity of the U Money Ordinary Shares traded on AIM could decline.

Issuance of additional U Money Ordinary Shares

Although U Money's business plan does not involve the issuance of additional U Money Ordinary Shares at this time, it is possible that U Money may decide to issue, pursuant to a public offer or otherwise, additional U Money Ordinary Shares in the future at a price or prices higher or lower than those currently in issue. An additional issue of U Money Ordinary Shares by U Money, or the public perception that an issue may occur, could have an adverse effect on the market price of U Money Ordinary Shares and an additional issue could dilute the proportionate ownership interest, and hence the proportionate voting interest, of shareholders if, and to the extent that, such an issue of U Money Ordinary Shares is not effected on a pre-emptive basis or shareholders do not take up their rights to subscribe for further U Money Ordinary Shares as part of a pre-emptive offer.

Substantial sales of U Money Ordinary Shares

There can be no assurance that certain shareholders will not elect to sell their U Money Ordinary Shares. The market price of U Money Ordinary Shares could decline as a result of any such sales of U Money Ordinary Shares or as a result of the perception that these sales may occur. In addition, if these or any other sales were to occur, U Money may in the future have difficulty in offering U Money Ordinary Shares at a time or at a price it deems appropriate.

PART IV OVERVIEW OF THE BUSINESS

1. BUSINESS OVERVIEW

- 1.1 The Group has two divisions which offer distinct forms of non-standard finance and an e-money current accounts- HCC and Digital (Dot Dot loans and U Account). Within the two divisions there are three brands:
- 1.1.1 HCC - operating under the Morses Club brand, which provides small, short-term loans to customers.
- 1.1.2 Dot Dot loans – operating under Shelby Finance and provides fully online instalment loans to customers.
- 1.1.3 U Account - operating under Shelby Finance and provides online e-money current accounts for customers.

HCC

- 1.2 The Company is the second largest UK HCC lender with approximately 151,000 customers (of the 180,000 customers who access financing through the Group) nationwide and a management team with significant experience in UK HCC and consumer finance. It has a national footprint with approximately 1,385 self-employed agents engaged throughout the UK.
- 1.3 The Company markets a range of loan products through a combination of traditional and online marketing channels. A significant majority of the Company's customers hold enduring relationships, and the Company enjoys consistently high customer satisfaction scores (98% or above for FY 2021).
- 1.4 UK HCC is regulated by the FCA and Morses Club is regulated to carry on HCC lending. The Directors believe that Morses Club complies with all material relevant legislation, secondary legislation, regulation and practice applicable to UK HCC lenders.

Digital – Dot Dot

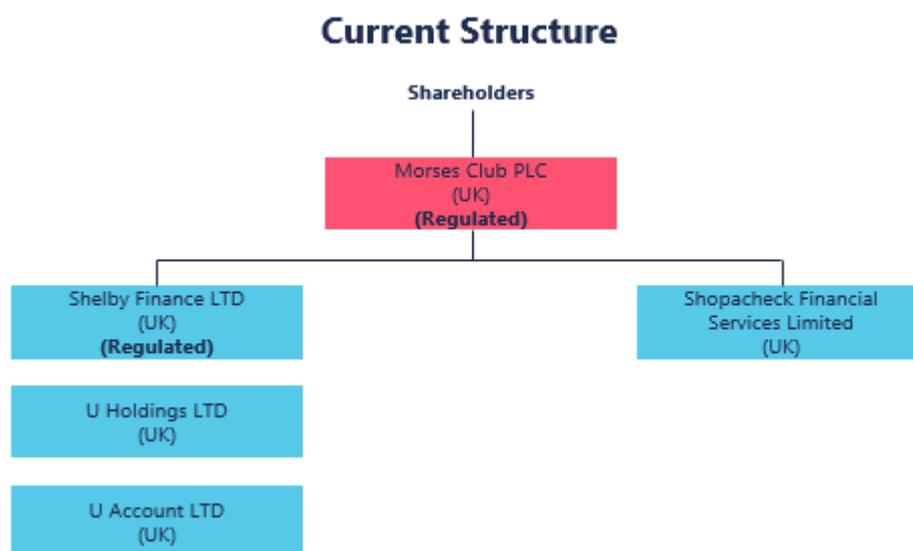
- 1.5 Dot Dot is a fully online lender, which was launched in March 2017. The product offering aims to serve the needs of two segments of the loans market:
- 1.5.1 short-term 3-6 and 9-month duration loans serving customers who want to borrow £100-£1,000; and
- 1.5.2 loans of £1,500-£5,000 for those customers who want to borrow more over a longer term of up to 48 months, with the upper limit for the latter increased from £4,000 due to customer demand.
- 1.6 Dot Dot has c. 23,000 borrowers, using the Loan Management platform which has been vital for the Group's next phase of digital strategy.
- 1.7 Like the UK HCC business, the digital lending business is regulated by the FCA, with Shelby Finance being authorised to carry on lending activities (high-cost, short-term credit and personal loans).

Digital – U Account

- 1.8 U Account is a leading digital current account provider offering an alternative to traditional banking by providing a fully functional agency banking service. U Account currently has c. 6,000 customers.
- 1.9 U Account offers customers online current account services, based on two pricing models:
- 1.9.1 pay as you go; or
- 1.9.2 a monthly fee, which includes a set level of inclusive transactions.
- 1.10 U Account is designed for customers who may not have access to mainstream banking or want a secondary account. U Account is not a bank and does not offer overdrafts. The U Account accounts are also serviced entirely online.

2. GROUP STRUCTURE

- 2.1 Morses Club is the current quoted holding company for the Group. The Group is made up of Morses Club which has two wholly owned subsidiaries, Shelby Finance and Shopacheck Financial Services Limited (*Shopacheck*). Shelby Finance in turn owns the entire share capital in U Holdings Ltd. and U Account Ltd.
- 2.2 All Group entities are incorporated in the UK and have the registered office of Building 1, The Phoenix Centre, 1 Colliers Way, Nottingham NG8 6AT.
- 2.3 A copy of the current Group structure is shown below:



3. PRINCIPAL ACTIVITIES

Marketing

- 3.1 The Group’s marketing team utilises a combination of traditional and online marketing channels to promote its products to both existing and potential customers.
- 3.2 The Group’s traditional marketing channels are “refer-a-friend” campaigns, paid up mailings and existing customer mailings. The Group’s traditional marketing strategy is geared towards targeted marketing campaigns, driven by a focus on cost efficiency. Key performance indicators are utilised to target marketing spend and maximise cost efficiency. The Group’s “refer-a-friend” campaign is a well-established scheme for HCC and has been redesigned to operate digitally generating, on average, approximately c.6,000 new customers per year.
- 3.3 The Group has made significant investment to develop its online marketing channels. The Group now has both mobile and web applications available and utilises pay-per-click, affiliate and search engine optimisation strategies in order to enhance its online offering. Marketing is increasingly focused on online channels and the Directors expect this trend to continue.

Lending process – HCC

- 3.4 The Directors believe that the Group’s underwriting process is robust, in respect of both new and existing customers.
- 3.5 In respect of new customers, the sales process begins when an applicant makes an enquiry regarding a prospective loan through the digital platform, via an agent or the ‘refer a friend’ scheme. An agent will then support the customer in helping them to complete the application for the product. Once the application is submitted, the customer is then credit scored via the digital platform and given an initial decision on

eligibility. For all types of enquiries, if the base criteria and pre-qualification checks are passed, the applicant's credit data is assessed to produce an eligibility score. In the event that an applicant meets certain minimum criteria, the application is 'approved in principle'. If approved in principle, an agent will then contact the customer to book an appointment remotely or face-to-face. An agent may then visit the applicant or make an appointment remotely, complete an application form and affordability assessment, and make the final lending decision. Once this lending decision is authorised, the collection process is confirmed and payment made into the bank account, or on to the Morses Club card, of the customer. The loan can then be repaid via the digital platform or to an agent on the agreed terms.

- 3.6 The Company HCC model is based on a loan issue and collection process via agents that typically live in the same communities as customers. Due to COVID-19 and changed customer demand, the Company has adapted its operating model to work remotely using its existing technology platforms to maintain customer contact and collection activity and a new remote lending process to deliver cashless lending to new and existing customers. Remote lending now makes up, as at YE 2021, 67% of the Company's lending business and 80% of cash collections are now made remotely.

Lending process – Digital

- 3.7 In respect of new customers, the sales process begins when an applicant visits the Dot Dot Loans website. The customer will select the loan product or type and is then asked to complete an application form which covers their personal details, employment history and financial history. The applicant is then initially assessed for eligibility and given an initial decision. If eligibility is decided positively then the customer is assessed for affordability, including a creditworthiness assessment. If a customer requires assistance the customer service teams are available to answer questions and help manage the process. In the event that an applicant meets certain minimum criteria, the application is approved. If approved, then amounts borrowed are made available in the bank account specified by the customer. Loans are constantly monitored against expected performance and potential issues are investigated.

Customer process - U Account

- 3.8 In respect of new customers, applicants apply for an e-money current account, via the app, completing personal details, and then checked using KYC checks. The account is then opened, based on customer's choice of the monthly subscription or PAYG model.

Products - HCC

- 3.9 The Company offers a range of products targeted to its customers' needs. Loan products range from 35 week loans to 52 week loans. Loans are delivered to customers either in cash, via the Morses Club Card or directly to customers' bank accounts.
- 3.10 Interest rates are consistent for both new and existing customers. However, new customers only have access to 35 week loans up to a maximum of £1000 (in £100 increments). The Company's £1,500 product is only available to qualifying established customers.

Products – Digital

- 3.11 Shelby Finance offers a range of products targeted to its customers' needs. Loan products range from three month loans to 48 month loans, with amounts from £100 to £5,000. With short-term loans being offered from three to nine months at values of £100 to £1,000 and longer term loans being offered for 18 months to 48 months at values of £1,500 to £5,000. Loans are delivered to customers directly into their selected bank accounts. Interest rates are consistent for both new and existing customers.

Collections monitoring and impairment policy – HCC and digital

- 3.12 Traditionally, Morses Club monitored collections and arrears by reviewing data provided by its field operatives. Field operatives delivered data via mobile tablets to the data warehouse. The data warehouse then generated weekly management reports, and the findings were supplied back to Morses Club's field operatives.

- 3.13 Customer Relationship Managers conducted weekly reviews with agents during which lending and collections are discussed. The enhanced flow of information via the mobile tablets allowed management to assess loan performance quickly and efficiently.
- 3.14 As set out above, due to COVID-19, the Company has had to reconfigure its operating model and existing technology to work remotely, allowing the Company to maintain customer contact and collection activity whilst generating new lending. The Company has also developed a fully online customer portal, which currently serves over 107,000 customers as at YE 2021.
- 3.15 Arrears management is a combination of central letters, central telephony, emails and SMS text messages. This will often involve a phone call to discuss the customer's reasons for non-payment and to agree a suitable resolution. Where customers cannot make the agreed repayments the Company's collections team may discuss an appropriate payment plan to help ensure the loan repayments are manageable for the customer. The Company does not charge missed payment or late fees. The collections team are also not paid commission on what they collect.
- 3.16 Typically, in the event of 13 weeks of non-payment, a customer account is transferred from the relevant agent to Morses Club's customer services centre. A weekly review aggregates all loans that are 17 weeks or more in arrears and such loans are written off by the Company; the underlying debts are sold to a third party typically once a month. These third parties are regulated by the FCA and are authorised to purchase this debt.

4. PRINCIPAL MARKET

The UK non-standard credit market

- 4.1 Non-standard credit is the provision of secured and unsecured credit to consumers other than through mainstream lenders. Lenders providing non-standard credit principally lend on an unsecured basis and the market is characterised by high frequency borrowing.
- 4.2 The non-standard finance market is sizeable and growing. An estimated 10-12 million consumers – 20-25% of UK adults – have difficulty accessing credit from mainstream financial institutions due to an impaired or non-existent credit history.
- 4.3 The effects of the COVID-19 pandemic are also likely to push more prime borrowers into the non-standard credit markets, with around 2 million people currently moving between standard and non-standard markets due to credit scores.
- 4.4 Unemployment has also risen during the year, and large numbers of adults are also working part-time while looking for full-time employment or are on zero-hour contracts. A proportion of the working age population – whether or not in work – are also reliant on benefits, which have been reduced as a result of government austerity policies since 2010. Insecure work and the resultant low or fluctuating income are driving the demand for non-prime lending.
- 4.5 The impact of the pandemic has also affected the markets the Group operates in by reducing the number of both HCC and digital lenders operating in the sector, meaning there are fewer competitors for the Group. The community of small, family-owned HCC businesses has been badly hit, with a reduction of companies in the sector from 400 to 262 during the year. The trend of digitising HCC services is expected to remain post-pandemic and continue to grow.
- 4.6 The Group's markets have been radically changed by the pandemic. The Company is seeing robust demand in the non-standard finance market as COVID-19 recedes and beyond, with a pent-up demand expected to emerge once lockdowns are completely lifted.

UK non-standard digital lending

- 4.7 The long-term trends within the digital business and market centre on the emergence of digital challenger banks and the growing number of customers leaving the High Street for new alternatives. The Company sees

opportunities to attract customers as they move away from the mainstream banks, because the prevalent online disruptors are not focused on either the non-prime sector or on the provision of credit as an integral part of the banking relationship. The Group also believe that they are also strongly positioned to benefit from high demand in digital as a number of online lenders have exited the market and left the Group with far fewer competitors in that space.

Regulatory oversight of UK HCC and non-standard digital lending

- 4.8 Regulatory responsibility for UK HCC was transferred from the OFT to the FCA in April 2014.
- 4.9 The Group now operates within a legislative and regulatory framework captured within the Consumer Credit Acts 1974 and 2006 along with the FCA's Handbook and associated guidance notes. The Directors believe that increasing regulation has raised barriers to entry to the market in which the Group operates.

The future of UK HCC and non-standard digital lending

- 4.10 The Directors believe new digital technologies and evolving customer behaviour will change the way many traditional UK HCC lenders interact with their customers. The Group has continued to deliver further technology enhancements in the HCC business to provide digital services to customers enabling them to access services virtually, including paperless documentation processes.
- 4.11 The Group has transformed its business to enable it to function and thrive in remote and digital settings. Leveraging the existing digital capabilities and investment, the Group re-engineered the business to make it fit for purpose for customers now and in the future. This required the Group to change its approach in all aspects of the business from the way products and services are delivered and working practices, to property strategy and approach to communications.
- 4.12 During the year, the Group has observed a noticeable increase in the level of complaints received from both Claims Management Companies (*CMCs*) and customers. Whilst there has been an increase in complaints, as experienced across the entire impaired lending sector, the number of complaints received by the Group is proportionately lower than other lenders in the sector. Many of the complaints received have been submitted by CMCs on behalf of customers, however, the Group is fully committed to reviewing every complaint and has provided sufficient resource to ensure each case is assessed individually and all customers are treated fairly.
- 4.13 Moving beyond the pandemic, the Group are responding to an emerging demand from consumers for a wider range of products and services within the financial services sector. The Group's strategic pillars:
- 4.13.1 transition HCC customers into a digitally-based service;
 - 4.13.2 diversify into complementary products; and
 - 4.13.3 continue to work reasonably and ethically and in the interests of customers,
- are focused on cross-selling our products and supporting all customers with a blend of our traditional, face-to-face DNA and what the Group believe to be our cutting-edge technology solutions. The Group believe that they are well positioned to drive strong volume growth across both divisions going forwards.

5. HISTORY

- 5.1 Morses Club traces its history back over 130 years and was originally established as a drapery store and retail business. Morses Club diversified into UK HCC in 1997, growing quickly to become the number four provider at the time of its acquisition by Hay Wain Group in 2009. Under the ownership of Hay Wain Group, Morses Club focused on developing a higher quality debt portfolio and loan book acquisitions.
- 5.2 Shopacheck was established in 1933 when Cattles plc extended its business into UK HCC. At the time of its acquisition by Hay Wain Group in 2014, Shopacheck was the second largest provider of UK HCC. The Hay

Wain Group merged Shopacheck with Morses Club under the Morses Club brand in 2015. Shopacheck, although part of the Group structure, is now a dormant company.

- 5.3 Since 2015, the Company has also grown by way of acquisition, including the purchase of multiple loan books during 2015 and the acquisition of U Holdings Ltd. and the loan book of CURO Transatlantic Limited in 2019.

6. STRATEGY

- 6.1 The Company's growth strategy comprises the following elements:

- 6.1.1 transitioning HCC customers into a digitally-based service;
- 6.1.2 diversifying into complementary products; and
- 6.1.3 continuing to work responsible and ethically and in the interests of their customers' needs.

- 6.2 The Group's strategic response to the COVID-19 crisis has been focused on accelerating the re-engineering and digitalisation of the business. The Group's new operating model is already lowering operating costs and increasing efficiencies, whilst still providing excellent levels of customer satisfaction, and good customer outcomes.

Transition HCC customers into a digitally-based service

- 6.3 The Group aims to offer HCC customers a pathway to the full range of financial products, focusing on what customers want, what they can benefit from and what they feel is appropriate. The Group is seeking to reward good customers with longer-term and lower cost products to improve their financial wellbeing.
- 6.4 Within the digital division of the Group there is a drive for volume growth, enabled by the improvements made to Group systems, practices and procedures during 2020/2021.

Organic growth

- 6.5 As set out above, the Group has made significant investment to develop its online marketing channels. The Group now has both mobile and web applications available and utilises pay-per-click, affiliate and search engine optimisation strategies in order to enhance its online offering. Marketing is increasingly focused on online channels and the Directors expect this trend to continue.
- 6.6 As part of the Group's strategic pillars, it aims to cross-sell and transition HCC customers into digitally-based services; retaining customers but broadening the product uptake.

Acquisitions

- 6.7 The Group is actively seeking further acquisition opportunities in all UK regions. Historically, the Group has completed approximately 50 per cent. of the acquisitions in its pipeline.

7. OPERATIONS

IT

- 7.1 The Group has made a significant investment in IT, resulting in an IT platform that the Directors believe provides the Group with the ability to meet the challenge of future growth opportunities and thrive in a remote and digital setting. This has been instrumental in the successful response to the Covid-19 crisis.
- 7.2 The Group benefits from a service catalogue of 255 IT services and software used by individual Group entities or shared across the Group. The Group has adopted a 'modified off-the-shelf' approach to its IT systems, whereby it utilises standard products and platforms that are then configured to the Group's requirements. The investment in IT has increased automation and reduced overheads. It has also provided a platform to increase agent productivity and simplify compliance procedures.

- 7.3 The Group has seen an acceleration in areas of its IT technology strategy due to the Covid-19 crisis, which helped lead the Group to develop a fully online customer portal, with over 107,000 customers. Further transformational projects moved, including its e-money current account services onto Modulr, and transferred all its digital credit products onto a new operating platform with Equiniti.
- 7.4 The Group's mobility platform and web applications form the cornerstone of the Company's current technology. The Group has built a strategic lending IT platform (*CAP*) and a mobility platform (*MAP*), which are owned by the Group and incrementally developed with Mastek. In 2022 the Equiniti platform, successfully implemented for the digital business, will be extended to HCC in conjunction with a new agent application 'CONNECT'. This will allow the CAP and MAP platforms, which are at end of life, to be decommissioned. The new platforms will readily communicate with the data warehouse and business intelligence infrastructure in place.

Team and strategic partners

- 7.5 The IT team has significant experience within UK HCC and the non-standard credit sector. The Directors believe that the Group's in-house expertise ensures strategic oversight of its technology strategy and that IT operations and processes align with industry best practices.
- 7.6 The Group has adopted a modular approach to platform design allowing the IT requirements for new initiatives or acquisitions to be integrated to the existing IT platform.

In addition to its in-house expertise, the Group has strategic relationships with suppliers to enhance its technology capacity. The Group has leveraged these relationships with service providers generally utilising a hybrid approach focused on 'buy not build', which has reduced its IT cost base and accelerated the speed of change.

- 7.7 During 2021, the Group has focused on enhancing customer journeys, rationalising integrations and removing the reliance on external technology suppliers.

Customer portal

- 7.8 The Group has invested in the development of a customer portal with an outsourced partner as a way to digitalise its HCC division. The customer portal allows customers to view real-time account information and manage their accounts online. It is also used by customers to access products and services, including targeted offers and rewards. Customers are also able to access guidance on financial management to help them improve their credit rating with the Group. There has been significant growth in the number of customers using the customer portal. In 2020, there were 78,000 customers using the customer portal and this figure has increased to 107,000 in 2021 and 70% of HCC customers are now registered to use the customer portal. The Group has received positive feedback via customer satisfaction surveys about the ease and flexibility provided by the customer portal.
- 7.9 The Directors believe that the customer portal provides customers with a more robust and customer-centric experience and promotes further interaction between the Group and its customers, providing a platform for the Group to up-sell and cross-sell its products. The Directors believe the platform meets customer demand for an online offering and also attracts new customers. Furthermore, the customer portal provides a platform to distribute targeted offers and rewards.

Operating platform

- 7.10 The Group's Digital division has implemented several new systems and integrations during the year, specifically new core platforms, which migrated e-money current account services onto Modulr and transferred digital credit products onto IceNet with Equiniti.
- 7.11 The Group has rebased its U Account products onto a new platform with an outsourced partner which offers true bank-grade digital services to its Digital customers. Implementing the new platforms has allowed the

Group to develop its longer-term, lower cost and revolving credit products. The Group plans to offer these new products to its banking customers in Q1 FY22.

- 7.12 The Group will transfer its HCC products onto the Equiniti operating platform implemented for the Digital division, in FY22.

Data warehouse

- 7.13 The Group has a separate data warehouse for both the Digital and HCC divisions. Both instances are scalable resources that consolidates information from across the division. They collect and store data from a range of internal sources, providing a single accurate source of customer and business information for dashboards, ad-hoc reporting and analysis. The data collected can also inform product development and identify opportunities for efficiency and savings.

Intellectual Property

- 7.14 The Group has a small portfolio of intellectual property rights consisting of 84 domain names, proprietary software (including MAP and "Digital Websites" which are developed with outsourced parties), and various trademarks.

Data Protection

- 7.15 The Group has a customer base of approximately 180,000 customers across the UK and, therefore, potentially has access to a substantial quantity of personal data. The Group has measures in place to be compliant with applicable data protection laws. The Group is the "data controller" for any customer data it collects. For each of its third party supplier agreements, the Group has documented which party is the "data controller" and "data processor" and whether data will be transferred outside of the EEA. The Group undertakes due diligence on each of its suppliers to understand the organisation's security posture.
- 7.16 The Group recognises that as it increases its digital product offering and on-line presence, there will be an ever-present exposure to cyber-security and data protection risks. The Group has a hybrid information security function, where third party specialist organisations support the Group's internal team. The Group has an ongoing programme to conduct regular vulnerability assessments against core infrastructure services. As part of its cybersecurity measures, the Group performs regular penetrating testing using an external specialist and regular phishing exercises to maintain employee vigilance. The Group also successfully completed an annual disaster recovery test across the HCC and Digital divisions simulating a full data centre loss.

Premises

- 7.17 The Group has six leases and three licences to occupy property in England and Scotland, one of which is with Shelby Finance and eight with Morses Club PLC. With the exception of the Nottingham Lease (as defined in paragraph 7.18 below), these leases and licences relate to properties which are now unoccupied and in runoff.
- 7.18 The Group has operationally exited all leases, with the exception of the lease for the property at Building 1 The Phoenix Centre 1 Colliers Way Nottingham NG8 6AL (the ***Nottingham Lease***). Further details of the Nottingham Lease are set out in paragraph 0 of Part V – *Additional Information*.
- 7.19 The Group has operationally exited all licences, with the exception of a short-term licence entered into by Morses Club for a property located in Leeds. The term of the licence is due to expire on 31 August 2022 with the licence containing a break date on 28 February 2022.

8. REGULATORY ENVIRONMENT

Regulatory compliance

- 8.1 The Group has substantial regulatory and compliance experience. The Group's compliance team comprises 27 people led by the Director of Risk and Compliance.

- 8.2 The Group has adopted a “three lines of defence” model:
- 8.2.1 “First line” being the functional areas across the business that identify risks, implement mitigation measures and provide continuous monitoring;
 - 8.2.2 “Second line” being the Risk and Compliance function that has responsibility for policy advice, oversight, compliance monitoring and reporting to Risk Executive Committee and Audit and Risk & Compliance Committee; and
 - 8.2.3 “Third line” being Internal Audit function, undertakes a detailed review against an agreed audit plan.
- 8.3 Further details of the Group’s Risk & Compliance Committee are set out in the Group’s 2021 Annual Report.
- 8.4 The Group takes a proactive approach to ensure that regular updates are provided to the compliance team on all new legislation and regulatory changes.

Risk

- 8.5 The Group has an established Risk Management Framework that ensures appropriate management of identified risks. At departmental level, risks are reviewed on an ongoing basis, with a full review at six monthly intervals. Summary reporting and oversight occurs at the Risk Executive Committee on a monthly basis and Risk & Compliance Committee on a quarterly basis.
- 8.6 The Company’s Risk Management Framework considers risk against the following categories:
- 8.6.1 Regulatory Risk – managed by continuous assessment of the regulatory environment and consultation with specialist advisers, including engagement and participation with the market generally;
 - 8.6.2 Strategic and Business Risk – managed by adoption of robust policies and procedures, staff and agent due diligence, including credit and disclosure checks, and a commitment to ongoing learning and development, including competency assessments, regulatory training programmes and appraisals;
 - 8.6.3 Operational Risk – managed via the adoption of the three lines of defence model, effective control and monitoring plans and a strong governance structure;
 - 8.6.4 Credit Risk – managed via detailed credit underwriting, full I&E verification, reference checking and bespoke and generic credit scoring and scorecard measures as signed off by the board;
 - 8.6.5 Conduct Risk – managed via adhering to all material regulatory guidance and industry best practice, promoting a culture that supports ‘Doing The Right Thing’ for customers and maintain a robust People Strategy to deliver training, guidance and support to staff; and
 - 8.6.6 Reputational Risk – managed by a defined approach to conduct risk, a strong business culture underpinned by a commitment to treating customers fairly and utilisation of third party and legal support.

9. BOARD

- 9.1 The details of appointment in relation to the Directors are set out in paragraph 6 of Part V – *Additional Information*.
- 9.2 The Directors acknowledge the importance of good corporate governance and accordingly intend to comply with the rules of the UK Corporate Governance Code insofar as it is practicable to do so for a company of the size and nature of the Group. Please see paragraph 13 of Part V – *Additional Information*.
- 9.3 The Board includes a total of seven Non-Executive Directors, four of whom are independent and free from any material business or other relationship that could materially interfere with the exercise of their independent judgement. The Board will meet regularly and is responsible for the overall strategy of the Group, its performance, management and major financial matters.

- 9.4 The Board has established a Risk & Compliance Committee, an Audit Committee, a Remuneration & Corporate Social Responsibility Committee, a Disclosure Committee and a Nominations & Succession Committee, each with formally delegated responsibilities.
- 9.5 The Risk & Compliance Committee is chaired by Michael Yeates and its other members are Sir Nigel Knowles, Sheryl Lawrence and Joanne Lake. The principal responsibilities of the Risk & Compliance Committee are to assist the board with its oversight of risk and regulatory compliance within the Group with particular focus on the FCA's developing requirements, risk appetite, risk profile and the effectiveness of the Group's internal controls and risk management systems. The Risk & Compliance Committee ensures that there is an ongoing process for identifying, evaluating and managing the principal risks faced by the Group.
- 9.6 The Risk & Compliance Committee met four times during FY 2021.
- 9.7 The Audit Committee is currently chaired by Joanne Lake and is due to be chaired by Sheryl Lawrence upon receipt of approval from the FCA. Its other members are Sir Nigel Knowles and Michael Yeates. The key objective of the Committee is to provide assurance to the Board as to the effectiveness of the company's internal controls and the integrity of its financial records and externally published results.
- 9.8 The Audit Committee met four times during FY 2021.
- 9.9 The Remuneration & Corporate Social Responsibility Committee is chaired by Joanne Lake and its other members are Stephen Karle and Sir Nigel Knowles. The Remuneration & Corporate Social Responsibility Committee reviews the performance of the Executive Directors and makes recommendations to the Board on matters relating to their remuneration and terms of employment. The Remuneration & Corporate Social Responsibility Committee also makes 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 & Corporate Social Responsibility Committee meets at least twice a year.
- 9.10 The Remuneration & Corporate Social Responsibility Committee met four times during FY 2021.
- 9.11 The Nominations & Succession Committee is chaired by Stephen Karle and its other members are Joanne Lake, Sir Nigel Knowles, and Peter Ward. The Nominations & Succession Committee is responsible for ensuring that the Board has a formal and transparent appointment procedure and has primary responsibility for reviewing the balance and effectiveness of the Board and identifying the skills needed on the Board and those individuals who might best provide them.
- 9.12 The Company has established an Executive Committee which is chaired by the Chief Executive Officer and meets weekly. The Executive Committee is accountable to the Board and is responsible for, amongst other things, the day-to-day management of the affairs of the Company.
- 9.13 Other executive committees established by the Company are a Credit Risk Committee, a Health and Safety Committee and a Risk Executive Committee.

10. EMPLOYEES

- 10.1 Management of the Group is overseen by its three Executive Directors, Paul Smith (Chief Executive Officer), Graeme Campbell (Chief Financial Officer) and Gary Marshall (Chief Operating Officer), supported by the senior management team.
- 10.2 The Group's mission statement is to build a market-leading non-standard credit company in the UK – with its customers and people at the heart of the business. The Group's core values are:
- 10.2.1 having customers at the heart of everything it does;
 - 10.2.2 being direct and transparent in all of its dealings;

- 10.2.3 having simple and clear systems and processes; and
- 10.2.4 being flexible by offering customers products matching their needs.
- 10.3 The Group has a national footprint with approximately 1,385 self-employed agents throughout the UK. The Group provides tablet devices and structured training to all agents.
- 10.4 All HCC agents are self-employed, and approximately 60 per cent. are female (which is reflective of the Group's predominantly female customer base). A number of agents are also former customers of the Group. Typically, agents are from the communities that they service.
- 10.5 The attraction and retention of high quality self-employed agents, via an agency contract, is an important component in the Group's business model. The Group seeks to maintain its position as an operator of choice for agents by, amongst other things, offering competitive remuneration of approximately 8.5 per cent. of total cash collections. Agents are not penalised for write-offs; they are simply remunerated on collections. This incentivisation structure also assists in maintaining a prudent credit policy.
- 10.6 Eligible employees may participate in certain of the Morses Club Employee Share Schemes, which are described in paragraph 17.2 of Part V – *Additional Information* of this document.

PART V ADDITIONAL INFORMATION

1. RESPONSIBILITY

1.1 *Responsibility statement*

The Company and the Directors, whose names and principal functions appear on page 46 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors, the information contained in this document is in accordance with the facts and this document makes no omission likely to affect its import.

2. INCORPORATION AND REGISTERED OFFICE

2.1 The legal and commercial name of the Company is Morses Club PLC.

2.2 The Company was incorporated on 16 January 2009 as a private company limited by shares in the United Kingdom. It was re-registered as a public limited company on 27 April 2016 under the Companies Act 2006 and is registered in England and Wales with registered number 06793980. Its LEI is 2138009PVBE5FDT58R09.

2.3 The Company's registered office is Building 1 The Phoenix Centre, Colliers Way, Nottingham, United Kingdom, NG8 6AT.

2.4 The telephone number of the Company's registered office is 0330 045 0719.

2.5 The website of the Company is www.morsesclubplc.com. The information contained in the website does not form part of this document unless that information is incorporated by reference into this document.

2.6 The principal activity of the Company is to be the holding company of the Morses Club Group.

3. TAKEOVER CODE

3.1 From the Scheme Effective Date and upon the shares of U Money being traded on AIM, the City Code on Takeovers and Mergers will apply to U Money.

4. BRIEF OVERVIEW OF BUSINESS

4.1 The Company is the second largest UK home collect credit lender with approximately 180,000 customers nationwide and a management team with significant experience in UK HCC and consumer finance. It has a national footprint with approximately 1,345 self-employed agents throughout the UK.

4.2 The Company markets a range of loan products through a combination of traditional and online marketing channels. A significant majority of the Company's customers hold enduring relationships, and the Company enjoys consistently high customer satisfaction scores.

4.3 The Company's profitable and cash generative business model, supported by prudent credit control, has provided it with opportunities for organic growth through strategic growth initiatives and territory builds as well as growth through loan book acquisitions.

4.4 Significant investment in IT has also resulted in an IT platform that the Directors believe provides the Company with the ability to meet the challenge of future growth opportunities. It has leveraged strategic relationships with IT suppliers to reduce the IT cost base and accelerate implementation.

5. SHARE CAPITAL

5.1 Immediately prior to the publication of this document, the share capital of the Company was £1,325,305.39, comprised of 132,530,539 ordinary shares of £0.01 each, all of which were fully paid or credited as fully

paid. The Company has no shares held as treasury shares. The Morses Club Ordinary Shares have a nominal value of £0.01 each and are quoted on AIM.

- 5.2 Immediately prior to the publication of this document, the issued and fully paid ordinary share capital of the Company was as follows:

	Number of shares	Amount of Share Capital
Ordinary Shares	132,530,539 of £0.01 each	£1,325,305.39

- 5.3 Upon the Scheme Effective Date, the issued and fully paid ordinary share capital of the Company would be:

	Number of shares	Amount of Share Capital
Ordinary Shares	132,530,539 of £0.01 each	£1,325,305.39

- 5.4 At the General Meeting, the Scheme Shareholders will be asked to consider and vote on the Resolutions. One of the resolutions is a special resolution to approve the Delisting and to approve Admission. This special resolution will pass if not less than 75% of the votes cast (either in person or by proxy) are in favour and a majority of the votes cast (either in person or by proxy).

- 5.5 The Morses Club Ordinary Shares trade under ISIN GB00BZ6C4F71.

- 5.6 The U Money Ordinary Shares will trade under ISIN GB00BNQMPZ03.

- 5.7 The U Money Ordinary Shares will have the same rights in all respects as the Morses Club Ordinary Shares (including the right to receive all dividends or other distributions declared after the respective dates of their issue).

- 5.8 The rights attaching to the U Money Ordinary Shares are as follows:

Share rights

- 5.9 Subject to the provisions of the Companies Acts and without prejudice to any rights attached to any existing shares or class of shares, any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine or, if there has not been any such determination or so far as the same shall not make specific provision, as the board may determine. Such rights and restrictions shall apply to the relevant shares as if the same were set out in the Morses Club articles of association.

Dividend rights

- 5.10 The Company may by ordinary resolution from time to time declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the board.
- 5.11 The board may pay interim dividends based on the financial position of the Company and the opinion of the board. Dividends may be paid at fixed rate intervals, set by the board. Failure to pay shall not incur any liability to shareholders if the board acts in good faith.
- 5.12 All dividends shall be declared and paid according to the amounts paid up on the shares in respect in which the dividend and may be declared and paid in any currency.
- 5.13 The board may deduct from any dividend on account of calls or in respect of shares of the Company sums so deducted to be used to pay amounts owed to the company.

- 5.14 Dividends may be paid in cash, by cheque or warrant, by any direct debit, bank, or other funds transfer system, and by any other method approved by the board.
- 5.15 Any dividend which has remained unclaimed for 12 years from the date when it became due for payment shall be forfeited and cease to remain. If undelivered, uncashed, or payment has failed, on at least two consecutive occasions, the member shall lose their entitlement conferred on the Company by this article.
- 5.16 A general meeting declaring a dividend may, upon the recommendation of the board and by ordinary resolution direct, and the board may without authority by ordinary resolution, direct that the payment of a dividend may be satisfied wholly or partly by the distribution of assets.

Voting rights

- 5.17 A resolution put to the vote of a general meeting shall be decided via a show of hands unless a poll is demanded. A poll may be demanded by (i) the chairman of the meeting, (ii) at least 5 members entitled to vote present in person or by proxy, (iii) any member/proxy representing the aggregate not less than 10 per cent of total voting rights of those having the right to vote, or (iv) any member/proxy holding shares conferring a right to vote on the resolution – which there have been paid in sums in the aggregate equal to not less than 10 per cent of the total sum paid.
- 5.18 On a poll, votes may be given either personally or by proxy. The proxy may vote or abstain at his discretion.
- 5.19 On a show of hands, every member who is present in person shall have one vote, every proxy present who has been duly appointed by one or more members shall have one vote and every authorised corporate representative shall have the same voting rights as the corporation would be entitled to.
- 5.20 On a poll, every member who is present in person, or by a duly appointed proxy or corporate representative shall have one vote for each share of which they are a holder, or appointed proxy or corporate representative.
- 5.21 No member shall be entitled in respect of any share held by them to attend or vote at any general meeting of the Company unless all calls or other sums presently payable by them in respect of that share have been paid.

Redemption provisions

- 5.22 Any share may be issued which is to be redeemed or to be liable to be redeemed at the option of the company or holder.
- 5.23 The board may determine the terms, conditions, and manner of this redemption.

Pre-emption right in offers for subscription securities of the same class

- 5.24 The board may be empowered, with the sanction of the Company by special resolution to allot equity securities for cash as if the right to pre-emption did not apply with them.
- 5.25 The Company had passed the relevant resolutions at their 2021 AGM and as such there is no right to pre-emption on an allotment of equity securities, subject to the pre-emption disapplication resolution.

6. DIRECTORS

- 6.1 The Directors and their principal functions at as the date of this document are listed below.

Name	Age	Position	Initial appointment date	Expiry date of appointment (if not renewed)
Graeme James Campbell	49	Chief Financial Officer	1 January 2021	Terminable on 6 months' notice

Stephen Ashley Karle	62	Independent Non-Executive Chair	20 January 2015	Terminable on 6 months' notice
Sir Nigel Graham Knowles	65	Independent Non-Executive	20 January 2015	5 May 2022
Joanne Carolyn Lake	57	Independent Non-Executive Director	14 April 2016	5 May 2022
Sheryl Arlene Lawrence	56	Independent Non-Executive Director	1 May 2021	1 May 2024
Gary Peter Marshall	58	Chief Operating Officer	1 May 2021	Terminable on 6 months' notice
Paul Mark Smith	55	Chief Executive Officer	20 January 2015	Terminable on 6 months' notice
Thomas Andrew Thomson	59	Non-Executive Director	March 2009 (first appointment)	1 July 2022
Peter Martin Ward	61	Non-Executive Director	1 March 2015	5 May 2022
Michael Anthony Yeates	65	Independent Non-Executive Director	1 May 2021	1 May 2024

- 6.2 In compliance with the UK Corporate Governance Code, all continuing directors stand for re-election at the Company's annual general meetings.
- 6.3 Each of the Director's business address is the Company's registered office.
- 6.4 Brief biographical details of the Directors (in their capacities as directors of the Group) as set out in the annual report of Morses Club group for the financial year ended 27 February 2021.
- 6.5 From the Scheme Effective Date it is expected that all of the Directors will be appointed as directors of U Money. It is not expected that as a result of the Scheme any of the Directors will resign from their positions within the Company.
- 6.6 Set out below are the directorships and partnerships held by the Directors (other than, where applicable, directorships held in Morses Club or subsidiaries of Morses Club), in the five years prior to the date of this document:

Name	Current directorships/partnerships	Past directorships/partnerships
Graeme James Campbell	Brighthouse Topco Limited B15 Finco Limited B15 Midco Limited B15 Limited	Crazy George's Limited Caversham Finance Limited

	<p>B15 Group Limited</p> <p>B15 Holdings Limited</p> <p>Caversham Trading Limited</p> <p>U Money PLC</p> <p>U Money Services Limited</p>	
Stephen Ashley Karle	Karle & McCleery Limited	-
Sir Nigel Graham Knowles	<p>DWF LLP</p> <p>DWF Law LLP</p> <p>DWF Holdings Limited</p> <p>Davies Wallis Foyster Limited</p> <p>DWF (TG) Limited</p> <p>DWF Adjusting Limited</p> <p>DWF Claims Limited</p> <p>DWF Connected Services Group Limited</p> <p>DWF Connected Services Holdings Limited</p> <p>DWF Connected Services Limited</p> <p>Davies Wallis</p> <p>Vueity Limited</p> <p>Zeus Capital Limited</p> <p>Kim Technologies Limited</p> <p>Geting Capital Limited</p> <p>Onedome Limited</p> <p>Glasswall Holdings Limited</p> <p>Auga Technologies Limited</p> <p>Suntings Limited</p> <p>BC Rolatube LLP</p> <p>Beyond Capital LLP</p> <p>Scion Films Sale and Leaseback Sixth LLP</p> <p>Cannaray Limited</p>	<p>SGO Corporation Limited</p> <p>E Link App Limited</p> <p>Riverview Law Limited</p> <p>Riverview Law Holdings Limited</p> <p>Holland 88 Limited</p> <p>Langham Park Homes Limited</p>
Joanne Carolyn Lake	<p>Gateley (Holdings) plc</p> <p>Henry Boot plc</p> <p>Mattioli Woods plc</p> <p>Honeycomb Investment Trust PLC</p>	<p>Accrol Group Holdings PLC</p> <p>Green Man Gaming Holdings Limited</p> <p>Green Man Gaming Limited</p>

	Morson Group Limited	
Sheryl Arlene Lawrence	RCI Bank UK Limited GRC Advisory Limited	Provident Personal Credit Limited Provident Financial Management Services Limited Earl Shilton Building Society
Gary Peter Marshall	GPM Consultancy Limited	-
Paul Mark Smith	Deep Blue Skin Technology Epione Aesthetics Limited Underbrooke Limited U Money PLC U Money Services Limited	-
Peter Martin Ward	Allmanor Park (UK) Limited Allmanor Park LLP Bell Lane Property Ltd Cavendish 101 Limited Clifton Brook Limited Dobbin Caple Limited Limited Jape Capital Limited JPPC Services Limited Odyssey Group Holdings Limited Odyssey Knebworth Limited Perpignon Limited Rakiss Limited Tanistry Limited Jape Investors LLP OBS 24 LLP OBS Directors LLP RLoans LLP Three V Corporate Venturing LLP Three V Directors LLP	Credit Enhancement Limited Debellate Limited Hudson Estates Properties Mogons Limited Murray Pearce Limited Noetics London Limited PSQ (Esher) Services Limited Purlieu Limited Rcapital Nominees Limited Templeton Furlong Limited Touch ID Limited Rcapital GP Limited Rcapital Limited Rcapital IV 12 LLP Rcapital Partners LLP Riverside Restaurants Limited Three V Partnership LLP
Thomas Andrew Thomson	Evendons Residents Management Company Limited	-

	MCFL Holdings Limited Oliver Sweeney Licensing Limited OS Realisations 2020 Limited TW Finance Limited	
Michael Anthony Yeates	Finchcroft Limited	VTB Capital PLC Newable Limited Cobalt Health GH Bank Limited Newable Lending Limited Project Pearl Limited Michael Yeates Consultancy Limited ClimateHappy Limited Michael Yeates LLP

7. DIRECTORS' INTERESTS IN MORSES CLUB

7.1 On the Scheme Effective Date, the Directors will have the following beneficial interests in U Money's shares by virtue of the effect of the Scheme on their current shareholdings in Morses Club (excluding any interests over Morses Club Ordinary Shares held by the Executive Directors pursuant to the Morses Club Employee Share Schemes, which are outlined at paragraph 10.5 below).

Director	Number of U Money's shares	Percentage of issued share capital of U Money	Number of Company's shares	Percentage of issued share capital of Company
Graeme James Campbell	40,000	0.03	40,000	0.03
Stephen Ashley Karle	227,991	0.18	227,991	0.18
Sir Nigel Graham Knowles	55,148	0.04	55,148	0.04
Joanne Carolyn Lake	23,148	0.02	23,148	0.02
Paul Mark Smith	579,074	0.44	579,074	0.44
Peter Martin Ward	400,000	0.31	400,000	0.31
Gary Peter Marshall	350,000	0.26	350,000	0.26
Thomas Andrew Thomson	3,229,691	2.44	3,229,691	2.44

Sheryl Arlene Lawrence	-	-	-	-
Michael Anthony Yeates	-	-	-	-

7.2 The interests of the Directors together represent approximately 3.7 per cent. of the issued share capital of Morses Club in existence as at the date of this document.

7.3 The Directors have the same voting rights as all other Morses Club Shareholders.

7.4 The interests set out above are based upon the interests of the Directors in Morses Club which: (a) have been notified by the relevant Director to Morses Club pursuant to Chapter 3 of the Disclosure and Transparency Rules on or before the date of this agreement; or (b) are interests of a connected person (within the meaning of the Disclosure and Transparency Rules) of a Director which have been notified to Morses Club by each connected person (within the meaning of the Disclosure and Transparency Rules) pursuant to Chapter 3 of the Disclosure and Transparency Rules.

7.5 The following Directors currently have the interests (beneficial or non-beneficial) set out in U Money as follows:

Director	Number of U Money's shares	Current percentage of issued share capital of U Money (pre-Scheme)
Graeme James Campbell	1 ordinary share of £0.01	50%
Paul Mark Smith	1 ordinary share of £0.01	50%

7.6 Following the Scheme Effective Date the directors' percentage interests as set out in paragraph 7.5 above will be reduced to 0.00002% of the percentage of issued share capital of U Money.

7.7 There are no outstanding loans granted by Morses Club or any member of the Group to any of the Directors, nor has any guarantee been provided by Morses Club or any member of the Group for their benefit.

7.8 It is not expected that any Director will have any interest in the loan capital of Morses Club following the Scheme Effective Date.

7.9 As at the date of this document, none of the Directors has at any time within the past five years:

7.9.1 save as disclosed in paragraph 6.6 above, been a director or partner of any companies or partnerships; or

7.9.2 had any convictions in relation to fraudulent offences (whether spent or unspent); or

7.9.3 been adjudged bankrupt or has entered into any individual voluntary arrangements; or

7.9.4 has been partner of any partnership at the time of or within a 12 month period preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership; or

7.9.5 been partner of any partnership at the time of or within a 12 month period preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership; or

7.9.6 had his or her assets be the subject of any receivership; or

- 7.9.7 been partner of any partnership at the time of or within a 12 month period preceding any assets thereof being the subject of a receivership; or
- 7.9.8 been subject to any official public incrimination and/or sanctions by any statutory or regulatory authority (including any designated professional body); or
- 7.9.9 ever been disqualified by a court from acting as a director or other officer of any company or from acting in the management or conduct of the affairs of any company.
- 7.10 Save for their capacities as persons legally and beneficially interested in Shares, there are no potential conflicts of interest between any duties carried out on behalf of the Company by Directors and their private interests and/or other duties.

8. DIRECTORS' INTERESTS IN TRANSACTIONS

- 8.1 No Director of the Company has or has had any interest in any transactions which are or were unusual in their nature or conditions or are or were significant to the business of Morses Club or any members of the Group and which were effected by Morses Club or any member of the Group during the current or immediately preceding financial year and which remain in any respect outstanding or unperformed.

9. DIRECTORS EMPLOYMENT CONTRACTS AND LETTERS OF APPOINTMENT

- 9.1 There are three Executive Directors and seven Non-Executive directors.

Executive Directors

- 9.2 Upon the Scheme Effective Date, the employment of each of the Executive Directors will transfer to U Money.
- 9.3 The overall level of remuneration of Executive Directors will remain unchanged as a consequence of the Scheme.
- 9.1 **Paul Mark Smith** (Chief Executive Officer) entered into a new service agreement with the Company on 14 April 2016 (with effect from 1 May 2016). Mr. Smith was appointed as CEO on 20 January 2015. The appointment may be terminated by either party giving the other not less than six months' notice. The agreement permits termination by the Company without notice in a number of circumstances, including disqualification from acting as a director, gross misconduct or a serious breach of the terms of the agreement. Mr. Smith's annual basic salary is currently £330,000. Mr. Smith is eligible for a discretionary bonus, participation in the Company's deferred share bonus scheme and payment by the Company of a pension contribution equal to up to 7 per cent. of basic salary.
- 9.2 **Graeme James Campbell** (Chief Financial Officer) entered into a service agreement with the Company on 7 September 2020 (with effect from 12 October 2020), and was appointed as CFO on 1 January 2021. The appointment may be terminated by either party giving the other not less than six months' notice. The agreement permits termination by the Company without notice in a number of circumstances, including where Mr. Campbell ceases to hold FCA Approved Person status, gross misconduct or a serious or repeated breach or non-observance of any provision of the agreement. Mr. Campbell's annual basic salary is currently £220,000. Mr. Campbell is also eligible for a discretionary bonus, participation in the Company's deferred share bonus scheme and payment by the Company of a pension contribution equal to up to 7 per cent. of basic salary.
- 9.3 **Gary Peter Marshall** (Chief Operating Officer) entered into a service agreement with the Company on 1 May 2021 (with effect from 1 May 2021). The appointment may be terminated by either party giving the other not less than six months' notice. The agreement permits termination by the Company without notice in a number of circumstances, including where Mr. Marshall ceases to hold FCA Approved Person status, gross misconduct or a serious or repeated breach or non-observance of any provision of the agreement. Mr. Marshall's annual base salary is currently £220,000. Mr. Marshall is eligible for a discretionary bonus,

participation in the Company's deferred share bonus scheme and payment by the Company of a pension contribution equal to up to 7 per cent. of basic salary.

9.4 *Non-Executive Directors*

9.5 All Non-Executive Directors have letters of appointment with Morses Club which set out the specific terms of engagement, save for Stephen Karle whose appointment is governed by a service agreement. Each Non-Executive Director (other than Mr. Karle) will enter into a letter of appointment with U Money, the terms of which will be substantially the same as the terms of their current appointments with Morses Club (including the expiry date). Mr. Karle will enter into a new service agreement with U Money, the terms of which will be substantially the same as the terms of his current service agreement with Morses Club.

9.6 The appointments of the Non-Executive Directors are subject to annual re-election. All new appointments would be made following recommendations by the Nominations & Succession Committee. No compensation is payable in the event of early termination except during the notice period.

9.7 The total fees payable to each Non-Executive Director will not be varied as a result of the Scheme.

9.8 **Stephen Ashley Karle** (Independent Non-Executive Chairman) entered into a service agreement for the role of non-executive chairman dated 11 November 2015 (with effect from 20 January 2015). The appointment is terminable by either party giving six months' notice. Mr. Karle's annual fee is currently £120,000, payable monthly (inclusive of his roles as Chair of the Nominations & Succession Committee and Chair of the Disclosure Committee). Mr. Karle is not considered for a bonus, or for participation in the Company's deferred bonus plan.

9.9 **Sir Nigel Graham Knowles** (Senior Independent Director) entered into a letter of appointment to act as a non-executive director dated 14 April 2016, with effect from that date, and was re-appointed as a non-executive director with effect 5 May 2019 for a further term of three years. The appointment is terminable by either party giving one month's notice. Sir Nigel's annual fee is currently £57,500, payable monthly (comprising £50,000 for his role as a Non-Executive Director and £7,500 for his role as Senior Independent Director). There is no entitlement to a bonus or to participation in the Company's deferred share bonus scheme.

9.10 **Joanne Carolyn Lake** (Independent Non-Executive Director) entered into a letter of appointment to act as a non-executive director dated 14 April 2016, with effect from that date, and was re-appointed as a non-executive director with effect 5 May 2019 for a further term of three years. The appointment is terminable by either party giving one month's notice. Ms. Lake's annual fee is currently £67,500 payable monthly (comprising £50,000 for her role as a Non-Executive Director, £7,500 for her role as Chair of the Remuneration & Corporate Social Responsibility Committee, and £10,000 for her role as Interim Chair of the Audit and Risk Committee). There is no entitlement to a bonus or to participation in the Company's deferred bonus plan.

9.11 **Peter Martin Ward** (Non-Executive Director) entered into a letter of re-engagement to act as a non-executive director dated 1 March 2019 with effect from 5 May 2019 (having initially been appointed as a non-executive director with effect from 1 March 2015). The appointment is terminable by either party giving one month's notice. Mr. Ward's annual fee is currently £50,000, payable monthly. There is no entitlement to a bonus or to participation in the Company's deferred bonus plan.

9.12 **Thomas Andrew Thomson** (Non-Executive Director) entered into a letter of appointment to act as a non-executive director dated 24 June 2019 (with effect from 1 July 2019 for an initial period of three years). Mr. Thomson stepped down as a Non-Executive Director on 16 March 2020 and was appointed as Interim CFO of the Company on 17 March 2020. Mr. Thomson stepped down as Interim CFO and was re-appointed as a Non-Executive Director on 1 January 2021. The appointment is terminable by either party giving one month's notice. Mr. Thomson's annual fee is currently £50,000. There is no entitlement to a bonus or to participation in the Company's deferred bonus plan.

9.13 **Sheryl Arlene Lawrence** (Independent Non-Executive Director) entered into a letter of appointment to act as a non-executive director dated 12 April 2021 (with effect from 1 May 2021). The appointment is for an initial three year term, subject to earlier termination by either party giving one month's notice. Any renewal of Ms. Lawrence's term is subject to the Board's approval and annual re-election at the AGM. The letter provides for an annual fee of £57,500 payable monthly (comprising £50,000 for her role as a Non-Executive Director and £7,500 for her role as Chair of the Audit Committee). Ms. Lawrence's Chair role is subject to regulatory approval, which is expected in due course. There is no entitlement to a bonus or to participation in the Company's deferred bonus plan.

9.14 **Michael Anthony Yeates** (Independent Non-Executive Director) entered into a letter of appointment to act as an independent non-executive director dated 28 April 2021. The appointment is for an initial term of three years (commencing on 1 May 2021), subject to earlier termination by either party giving one month's notice. The letter provides for an annual fee of £57,500, payable monthly (comprising £50,000 for his role as a Non-Executive Director and £7,500 for his role as Chair of the Risk & Compliance Committee). There is no entitlement to a bonus or to participation in the Company's deferred bonus plan.

10. DIRECTORS' REMUNERATION

10.1 The aggregate remuneration paid and benefits in kind granted to the Directors, including gains on exercise of share options, the value of shares vested under long-term incentive plans and money purchase pension contributions for the financial year ended 27 February 2021 was £935,332.

10.2 There is no arrangement under which a Director has agreed to waive future Morses Club emoluments, nor have there been any such waivers during the financial year immediately preceding the date of this Document.

10.3 The emoluments receivable by the Directors will not be varied as a result of the Scheme.

10.4 The emoluments of each of the Directors (including benefits in kind) for the year ended 27 February 2021 were as follows:

10.4.1 Executive Directors

Executive Director	Appointment date	Base salary (£)	Allowance and benefits (£)	Pension contribution (£)	Bonus (£)	Deferred share plan (£)	Expenses (£)
Paul Mark Smith (CEO)	20 January 2015	302,940	18,813	17,040	-	140,483	3,313
Graeme James Campbell (CFO)	1 January 2021	36,667	2,000	1,833	-	-	-
Gary Peter Marshall (COO)	22 July 2019 as COO; 1 May 2021 as Executive Director	-	-	-	-	-	-

10.4.2 Non-Executive Directors

Non-Executive Director	Appointment date as NED (current term)	Current letter of appointment end date	Annual fee (£)	Additional responsibility payments (£)	Expenses (£)
Stephen Karle	20 January 2015	Terminable on 6 months' notice	120,000	-	583
Sir Nigel Graham Knowles	5 May 2019	5 May 2022	50,000	7,500	333
Joanne Carolyn Lake	5 May 2019	5 May 2022	50,000	7,500	-
Sheryl Arlene Lawrence	1 May 2021	1 May 2024	-	-	-
Michael Anthony Yeates	1 May 2021	1 May 2024	-	-	-
Thomas Andrew Thomson	1 July 2019	1 July 2022	12,500	-	-
Peter Martin Ward	5 May 2019	5 May 2022	50,000	-	1,015

Note:

(1) Thomas Andrew Thomson stepped down as a non-executive director on 17 March 2020 and became CFO on the same date. Mr. Thomson stepped down as CFO on 1 January 2021 and became a non-executive director on the same day. Mr Thomson received the following emoluments (including benefits in kind) in the year ended 27 February 2021 for the role of CFO: £170,984 (base salary), £7,588 (allowance and benefits), £12,033 (pension contribution), £107,699 (Deferred Share Plan) and £1,517 (expenses). Mr. Thomson did not receive a bonus in the period.

10.5 As at the date of this document, the Executive Directors' interests over Morses Club Ordinary Shares pursuant to the Morses Club Employee Share Schemes were as follows:

Executive Director	Number of Morses Club Ordinary Shares over which Executive Director held outstanding awards / options	
	Year of grant	Deferred Share Plan
Paul Mark Smith	2018	215,300
	2020	222,162
Thomas Andrew Thomson	2018	165,000
	2020	120,744
Graeme James Campbell	2020	53,779
Gary Peter Marshall	2020	132,004

Note:

- (1) Thomas Andrew Thomson stepped down as a non-executive director on 17 March 2020 and became CFO on the same date. Mr. Thomson stepped down as CFO on 1 January 2021 and became a non-executive director on the same day. The awards received by Thomas Andrew Thomson were provided at the time whilst Mr. Thomson was an executive director, the 2018 amounts for his original term as CFO that ended July 2019 and the 2020 award for his role as interim CFO from March to December 2020.
- (2) In the period from 13 February 2021, Joanne Lake is also in receipt of a fee of £10,000 per annum as Interim Chair of the Audit and Risk Committee.
- 10.6 The Executive Directors' do not participate in the SIP or SOP, and therefore hold no shares or awards pursuant to those plans.

11. INTERESTS OF MAJOR SHAREHOLDERS

- 11.1 As at the date of this document, in so far as it has been notified to Morses Club pursuant to the Disclosure and Transparency Rules, the name of each person, other than a Director who, directly or indirectly, has a notifiable interest in 3 per cent. or more of Morses Club's issued share capital, and the amount of such person's interest, are set forth below:

Name	Date of notification	Percentage of issued Morses Club shares at the date of notification (%)	Percentage of U Money shares expected to be held (%)
Hay Wain Group	30 June 2021	35.28	35.28
Premier Miton Investors	30 June 2021	12.49	12.49
Artemis Investment Management	30 June 2021	7.65	7.65
Amati Global Investors	30 June 2021	7.28	7.28
J O Hambro Capital Management	30 June 2021	5.35	5.35
Hargreaves Lansdown Stockbrokers	30 June 2021	4.60	4.60
Janus Henderson Investors	30 June 2021	4.25	4.25

- 11.2 Insofar as is known to the Company, the Company is not directly or indirectly owned or controlled by another corporation, any foreign government, or any other natural or legal person, severally or jointly.
- 11.3 None of the major shareholders referred to above has different voting rights from other Morses Club Shareholders.

12. HISTORICAL FINANCIAL INFORMATION

- 12.1 The Group's audited consolidated financial statements are included in the 2021 Annual Report and Accounts, the 2020 Annual Report and Accounts and the 2019 Annual Report and Accounts, and other interim accounts

for the period, together with the audit reports thereon, are incorporated by reference into this document. The Group's audited consolidated financial statements for the financial years ended 27 February 2021, 29 February 2020 and 23 February 2019 were prepared in accordance with IFRS and article 23a of Regulation number 2019/980 of the European Commission, which is part of UK law by virtue of the European Union (Withdrawal) Act 2018. The Group's audited consolidated financial statements were audited in accordance with UK law implementing the Audit Directive 2006/43/EC. These documents are all available from the Company's Website.

12.2 There has been no change in the accounting reference date of the Group, however this date has varied over the past 36 months due to it being the last Saturday in February for each year.

Reference document	Information incorporated by reference	Page number in the reference documents
2021 Annual Report and Accounts		
	Audited Remuneration Information	Pages 67 to 73
	Independent Auditors' Report	Pages 82 to 92
	Consolidated Income Statement	Page 93
	Consolidated Statement of Balance Sheet	Page 94
	Consolidated Statement of changes in Equity	Page 95
	Consolidated Cash Flow Statement	Pages 96 to 98
	Notes to Consolidated Financial Statements	Pages 99 to 141
2020 Annual Report and Accounts		
	Audited Remuneration Information	Pages 64 to 68
	Independent Auditors' Report	Pages 76 to 86
	Consolidated Income Statement	Page 87
	Consolidated Statement of Balance Sheet	Page 88
	Consolidated Statement of changes in Equity	Page 89
	Consolidated Cash Flow Statement	Pages 90 to 92
	Notes to Consolidated Financial Statements	Pages 93 to 139
2019 Annual Report and Accounts		
	Audited Remuneration Information	Pages 52 to 55
	Independent Auditors' Report	Pages 67 to 73
	Consolidated Income Statement	Page 74
	Consolidated Statement of Balance Sheet	Page 75

	Consolidated Statement of changes in Equity	Page 76
	Consolidated Cash Flow Statement	Pages 77 to 78
	Notes to Consolidated Financial Statements	Pages 79 to 107

12.3 In the last three financial years the value of the dividend per share paid to Morses Club Shareholders by the Company has been: (i) in 2019, 7.8p; (ii) in 2020, 3.6p; and (iii) in 2021, 3p. The issued share capital of Morses Club in each of the last three financial years comprised 132,530,539 fully paid up Morses Club Ordinary Shares.

12.4 Any material investments for each financial year covered by the historical financial information up to the date of this agreement are covered by the historical financial information, which is available on the Company's website, as set out above.

13. CORPORATE GOVERNANCE

13.1 The recognised corporate governance code of the Group is the UK Corporate Governance Code. Save as disclosed on page 44 of the 2021 Annual Report and Accounts, regarding Provision 11 of the UK Corporate Governance Code (proportion of Non-Executive Directors whom the Directors consider to be independent) and the Directors' Remuneration Report in the Annual Report, the Directors consider that the Group complied with those provisions of the UK Corporate Governance Code throughout the financial year ended on 27 February 2021.

13.2 Compliance with the UK Corporate Governance Code is not mandatory for companies whose shares are admitted to trading to AIM. If Admission occurs, U Money will, however, seek to comply or explain any non-compliance with the UK Corporate Governance Code.

14. COMPANY'S ARTICLES

14.1 A copy of the amended Morses Club Articles will be available for inspection on the Group's Website (www.morsesclubplc.com) or at Morses Club's registered office.

15. U MONEY'S ARTICLES

15.1 U Money's Articles are based on, and as materially similar to the Morses Club Articles and will contain the same amendments as those of the amended articles of association of Morses Club (as set out above), with the exception of the additional Article 214 of the amended Morses Club Articles.

16. UK TAXATION

16.1 The following statements are intended only as a general guide to certain UK tax considerations and do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of shares. They are based on current UK law and what is understood to be the current practice of HMRC as at the date of this document, both of which may change, possibly with retroactive effect. They apply only to Scheme Shareholders who are resident and, in the case of individuals domiciled, for tax purposes in (and only in) the UK (except insofar as express reference is made to the treatment of non-UK residents), who hold their shares as an investment (other than where a tax exemption applies, for example where the shares are held in an individual savings account or pension arrangement) and who are the absolute beneficial owner of both the shares and any dividends paid on them. The tax position of certain categories of the Scheme Shareholders who are subject to special rules is not considered and it should be noted that they may incur liabilities to UK tax on a different basis to that described below. This includes persons acquiring their Scheme Shares in

connection with their employment (and the potential for protective elections to be made upon acquisition of their shares), dealers in securities, insurance companies, and collective investment schemes, charities, exempt pension funds, and temporary non-residents and non-residents carrying on a trade, profession or vocation in the UK.

- 16.2 **The statements summarise the current position and are intended as a general guide only. Prospective investors who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the UK are strongly recommended to consult their own professional advisers.**

Implementation of the Scheme and U Money Reduction of Capital

Taxation of income

- 16.3 The Scheme should not be treated as involving a distribution subject to UK tax as income.

Taxation of chargeable gains

- 16.4 For the purposes of capital gains tax (**CGT**), the cancellation of the Scheme Shares and the issuance of the U Money Ordinary Shares should be treated as a “scheme of reconstruction”. Accordingly, a Scheme Shareholder who holds (either alone or together with a connected person(s)) 5 per cent. or less of, or of any class of, shares in or debentures of Morses Club should not be treated as having made a taxable disposal of his/her Scheme Shares at the date of the Scheme in respect of the cancellation of Scheme Shares and the issuance to it of the U Money Ordinary Shares. This means the U Money Ordinary Shares issued to the Scheme Shareholder should be treated as the same asset as, and as having been acquired at the same time and for the same consideration as, its Scheme Shares.
- 16.5 A Scheme Shareholder who holds (either alone or together with connected person(s)) more than 5 per cent. of, or of any class of, shares in or debentures of Morses Club will be eligible for the tax treatment described in the preceding paragraph only if the Scheme is effected for bona fide commercial reasons and does not form part of a scheme of arrangement of which the main purpose, or one of the main purposes, is the avoidance of a liability to CGT. If these conditions are not met, then such a Scheme Shareholder will be treated as receiving U Money Ordinary Shares in consideration for the cancellation of its Scheme Shares and having made a disposal of its Scheme Shares at the date of the Scheme, which may, depending on individual circumstances, give rise to a chargeable gain or allowable loss for CGT purposes.
- 16.6 Advance clearance has been obtained from HMRC under section 138 of the Taxation of Chargeable Gains Act 1992 and section 748 of the Corporation Tax Act 2009, that these conditions will be met in respect of the Scheme as outlined to HMRC. For completeness the Company intends to reconsult with HMRC prior to the Scheme Sanction Hearing on the basis there have been some non-material changes to the Scheme since the initial advance clearance was obtained. The Company’s expectation is that it is unlikely that HMRC would not grant re-clearance based on this re-consultation however this is not guaranteed and HMRC may still raise queries.

U Money Reduction of capital

- 16.7 The U Money Reduction of Capital should not have any UK tax consequences for holders of U Money Ordinary Shares. It should not result in a disposal by any U Money Shareholder of any of their U Money Ordinary Shares, either on the basis that there is not a disposal generally, or because the U Money Reduction of Capital is treated as a “reorganisation” of U Money’s share capital.

Taxation of income from U Money Ordinary Shares

- 16.8 U Money is not required to withhold UK tax when paying a dividend. Liability to UK tax on dividends will depend on the individual circumstances of a Shareholder.

UK resident individual U Money Shareholders

- 16.9 Under current UK tax rules specific rates of tax apply to dividend income. These include a nil rate of tax (the “nil rate band”) for the first £2,000 of non-exempt dividend income in any tax year and different rates of tax for dividend income that exceeds the nil rate band. No tax credit attaches to dividend income. For these purposes “dividend income” includes UK and non-UK source dividends and certain other distributions in respect of shares.
- 16.10 An individual shareholder who is resident for tax purposes in the UK and who receives a dividend in respect of U Money Ordinary Shares will not be liable to UK tax on the dividend to the extent that (taking account of any other non-exempt dividend income received by the shareholder in the same tax year) that dividend falls within the nil rate band.
- 16.11 To the extent that (taking account of any other non-exempt dividend income received by the shareholder in the same tax year) the dividend exceeds the nil rate band, it will be subject to income tax at 7.5 per cent. to the extent that it falls below the threshold for higher rate income tax. To the extent that (taking account of other non-exempt dividend income received in the same tax year) it falls above the threshold for higher rate income tax then the dividend will be taxed at 32.5 per cent. to the extent that it is within the higher rate band, or 38.1 per cent. to the extent that it is within the additional rate band. For the purposes of determining which of the taxable bands dividend income falls into, dividend income is treated as the highest part of a shareholder’s income. In addition, dividends within the nil rate band which would (if there was no nil rate band) have fallen within the basic or higher rate bands will use up those bands respectively for the purposes of determining whether the threshold for higher rate or additional rate income tax is exceeded.

UK resident corporate U Money Shareholders

- 16.12 It is likely that most dividends paid on the U Money Ordinary Shares to UK resident corporate shareholders would fall within one or more of the classes of dividend qualifying for exemption from corporation tax. However, it should be noted that the exemptions are not comprehensive and are also subject to anti-avoidance rules.

Disposal of U Money Ordinary Shares

UK resident U Money Shareholders

- 16.13 A subsequent disposal or deemed disposal of U Money Ordinary Shares by a U Money Shareholder who is resident in the UK, may, depending on the U Money Shareholder’s circumstances and subject to any available exemption or reliefs (such as the annual exempt amount for individuals), give rise to a chargeable gain or an allowable loss for the purposes of CGT.

Stamp Duty and Stamp Duty Reserve Tax

- 16.14 No charge to stamp duty or stamp duty reserve tax (***SDRT***) should arise on the cancellation of the Scheme Shares or on the issue of U Money Ordinary Shares.
- 16.15 Any subsequent agreement to transfer or transfer on sale of U Money Ordinary Shares will not be subject to stamp duty or SDRT for so long as the U Money Ordinary Shares are admitted to trading on AIM and are not admitted to trading on any other exchange.

THE SUMMARY ABOVE IS A GENERAL SUMMARY OF THE LIKELY UK TAX CONSEQUENCES OF THE SCHEME FOR SHAREHOLDERS. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE IMPORTANT TO A PARTICULAR HOLDER. EACH HOLDER SHOULD CONSULT THEIR OWN TAX ADVISER ABOUT THE TAX CONSEQUENCES OF PARTICIPATING IN THE SCHEME AND HOLDING MORSES CLUB/ACQUIRING U MONEY ORDINARY SHARES AND ANY SUBSEQUENT DISPOSAL OF THE SAME UNDER THE HOLDER’S OWN PERSONAL CIRCUMSTANCES.

17. DIVIDEND POLICY

17.1 The Directors will assess dividend payments in the context of consolidation opportunities, new product investment requirements and the broader growth strategy of the Company. The Board intends to distribute the majority of adjusted earnings to shareholders as dividends. In due course, the Board may also consider increasing the dividend payout ratio should the funding structure of the Company enable an increase in gearing.

17.2 EFFECT OF THE SCHEME ON THE MORSES CLUB EMPLOYEE SHARE SCHEMES

17.3 Participants in the Morses Club Employee Share Schemes will be written to separately about the effect of the Scheme on their options and awards under those schemes.

17.4 The Remuneration Committee has, to the extent possible, sought to exercise its powers and discretions under the rules so as to prevent the Scheme from causing an early triggering of participants' rights and instead allow options and awards to continue over U Money Ordinary Shares. This is consistent with the Remuneration Committee's overall approach that the Scheme should have minimum impact on the Morses Club Employee Share Schemes and that they should continue to be operated with minimum changes in relation to those schemes.

Share Option Plan

17.5 Since the purpose and effect of the Scheme is to create a new holding company, pursuant to the rules of the Share Option Plan (the **SOP**), any outstanding options under the SOP will automatically be replaced with equivalent options over U Money Ordinary Shares.

Deferred Share Plan

17.6 Since the purpose and effect of the Scheme is to create a new holding company, the Scheme will constitute an internal reorganisation under the rules of the Deferred Share Plan (the **DSP**), and so outstanding awards under the DSP will not vest or become exercisable upon the Scheme becoming effective, but instead will be exchanged for equivalent awards over U Money Ordinary Shares. Certain awards under the DSP are expected to vest on or around 19 August 2021 and participants will receive Morses Club Ordinary Shares shortly after that date. As such, those resulting Morses Club Ordinary Shares will be replaced by U Money Ordinary Shares in the same way as for other shareholders if the Scheme becomes effective.

Share Incentive Plan

17.7 Morses Club Ordinary Shares which are currently held on trust for eligible employees under the Share Incentive Plan (the **SIP**) (or are otherwise unallocated but held within the SIP trust) will be replaced by U Money Ordinary Shares if the Scheme becomes effective. The trustees of the SIP will hold the U Money Ordinary Shares on behalf of the participants until the normal release date. As of 27 July 2021, 385,671 Morses Club Ordinary Shares were held in the SIP trust for eligible employees, with 58,479 currently unallocated Morses Club Ordinary Shares held in the SIP trust available to satisfy future allocations.

Employee benefit trust arrangements

17.8 The Group has an employee benefit trust (the **EBT**) which is resident in and administered in Jersey which may acquire and hold Morses Club Ordinary Shares for the benefit of some or all of the employees of the Group, including for the purposes of satisfying awards under the DBP. As of 27 July 2021, the EBT held no Morses Club Ordinary Shares.

17.9 In addition, in order to satisfy options under the SOP, as of 27 July 2021 80,752 Morses Club Ordinary Shares were held by Investec pursuant to arrangements in place with Yorkshire Building Society, the SOP plan administrators. Pursuant to the Scheme, Investec will acquire U Money Ordinary Shares in place of the Morses Club Ordinary Shares they currently hold on a one-for-one basis, again to satisfy options under the SOP.

Adoption of New Schemes

- 17.10 For the purposes of granting awards / options following the Scheme Effective Date, new share option plan and deferred share plan schemes will be set up at the U Money level, substantially mirroring the current rules.
- 17.11 For the purposes of granting awards under the SIP following the Scheme Effective Date, the rules of the SIP will either be amended or a new SIP trust will be constituted following the Scheme Effective Date, such that awards may be granted over U Money Ordinary Shares in the same way as awards are currently granted over Morses Club Ordinary Shares.

18. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by Morses Club or another member of the Group within the two years immediately preceding and including the date of this document, and are, or may be, material or have been entered into at any time by Morses Club or any member of the Group and contain provisions under which by Morses Club or any member of the Group has an obligation or entitlement which is, or may be, material to Morses Club or any member of the Group as at the date of this document:

Facilities

- 18.1.1 In November 2018, Morses Club signed a £10 million loan facility to bring its total revolving credit facilities to £50 million. In addition, Morses Club also signed a £15 million mezzanine facility, of which £5 million is committed and £10 million is uncommitted.
- 18.1.2 In April 2020 an extension of the funding arrangement from August 2020 to the end of November 2021 was signed with the incumbent lender consortium, and subsequently further extended to December 2021. The facility limit was reduced from £55 million committed to £40 million to better match the needs of the business post COVID-19. By reducing this unused headroom and repaying the £5 million mezzanine layer, non-utilisation charges for any given level of borrowing will be reduced and therefore so too will the overall cost of funding.
- 18.1.3 In May 2021 Morses Club successfully reached an agreement with a new two lender consortium, for a more cost efficient and slightly lower £35 million facility, extended to December 2022.
- 18.1.4 The bank loan is made up of a revolving credit facility held with Shawbrook Bank Limited and a major high street bank. Under the terms of the loan covenants, the loan book is held as collateral against the funds borrowed. The net carrying value of the loan book at the reporting date was £53,490,135.

Property Lease

- 18.1.5 As detailed at Part IV, paragraph 7.17 above, the Group has operationally exited c. 90 admin branches and offices in Leeds and Sheffield, leaving the Group with only one occupied property in Nottingham.
- 18.1.6 The Nottingham Lease has been entered into by Shelby Finance, as tenant, with Morses Club acting as guarantor. Current rent under the Nottingham Lease is £144,000 per annum. The term of the Nottingham Lease is due to expire on 9 June 2029 (with an optional break right on 10 June 2024).
- 18.1.7 As detailed at Part IV, paragraph 7.19, A short-term licence for a property located in Leeds has been agreed with Morses Club as licensee. The term of the licence is due to expire on 31 August 2022 with the licence containing a break date on 28 February 2022.

Relationship Deed

- 18.1.8 Please see details of the relationship deed entered into between Numis, Morses Club, Hay Wain Group, FCAP Four Limited and Jamie Constable below.

19. RELATIONSHIP DEED

- 19.1 Numis, Morses Club, Hay Wain Group, FCAP Four Limited and Jamie Constable entered into a relationship deed on 29 April 2016 for the purpose of documenting and regulating the relationship between Morses Club and Hay Wain Group, FCAP Four Limited and Jamie Constable respectively as significant shareholders (the Shareholder Group) in Morses following its admission to AIM. The agreement shall remain in force for so long as the Morses Club's shares are admitted to trading on AIM. The agreement contains provisions to ensure that, inter alia, there is no interference with the independent operation of the Board and that the Company's transactions with the Hay Wain Group, FCAP Four Limited and Jamie Constable (and their respective associates, including family members) respectively are effected at arm's length and on a normal commercial basis. Numis, Hay Wain Group, FCAP Four Limited and Jamie Constable can, subject to compliance with applicable laws and regulation, appoint one director to the Board for as long as the Hay Wain Group, FCAP Four Limited and Jamie Constable collectively hold more than 20 per cent of the rights to vote at a general meeting of the Company. The first such director appointed under this right is Mr. Peter Ward. The Relationship Deed also contains a non-competition obligation on Numis, Hay Wain Group, FCAP Four Limited and Jamie Constable.
- 19.2 From the Scheme Effective Date, the Relationship Deed will be updated and replicated at U Money level.

20. RELATED PARTY TRANSACTIONS

- 20.1 Details of any related party transactions of the Company are set out on page 136 of the Company's Annual Report 2021. There have been no further related party transactions between the date of the Annual Report being published and the latest practicable date prior to the publication of this document.

21. LITIGATION

- 21.1 There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), during the period covering the twelve 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 group financial position or profitability.

22. PRE-ADMISSION ANNOUNCEMENT AND WORKING CAPITAL

- 22.1 The pre-admission announcement document for listing with AIM will be circulated to the members at least 20 business days before the Scheme Effective Date. Within that announcement will be a working capital statement made by the Company which will state that in the opinion of the Company the working capital available to the Group is sufficient for its present requirements (that is for at least 12 months from Admission).

23. NO SIGNIFICANT CHANGE

- 23.1 There has been no significant change in the financial position or the financial performance of the Group between 27 February 2021, the date to which the latest financial information in relation to the Group was published, and the date of this document.

24. AUDITORS

- 24.1 The auditors of the Company are Deloitte LLP, with a registered address of 1 New Street Square, London, EC4A 3HQ.
- 24.2 Deloitte LLP were appointed by the Company on 1 March 2009 as a result of a competitive audit tender. Being on AIM, the Company is not a public interest company and therefore is not required to review its external auditor after 10 years. The auditor was re-appointed as the Company's auditor at the 2021 AGM of the Company.

25. CREST

- 25.1 CREST is a paperless settlement procedure which allows securities to be evidenced without a certificate and transferred other than by written instruction. The Morses Club Articles permit the holding of Morses Club Ordinary Shares under the CREST system. Application has been made for all of the issued and to be issued U Money Ordinary Shares to be eligible for admission to CREST with effect from Admission. Accordingly, settlement of transactions in the U Money Ordinary Shares following Admission may take place within the CREST system if the individual shareholders so wish.
- 25.2 CREST is a voluntary system and holders of U Money Ordinary Shares who wish to receive and retain share certificates will be able to do so. Should shareholders wish to hold their U Money Ordinary Shares in CREST, they will need to follow the requisite CREST procedures.
- 25.3 The Directors have applied for the U Money Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, it is expected that the U Money Ordinary Shares will be enabled for settlement in CREST following Admission.

26. COSTS AND EXPENSES

- 26.1 All costs and expenses relating to the issue of this document and to the negotiation, preparation and implementation of the Scheme will be borne by Morses Club.

27. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected during normal business hours on any Business Day at the registered office of Morses Club up to and including the date of the general meeting:

- 27.1 Amended Morses Club Articles and comparison document against original Morses Club Articles;
- 27.2 Executive Directors' and Non-Executive Directors' employment contracts with Morses Club referred to in paragraph 9 of Part V of this document; and
- 27.3 Current articles of association of U Money;
- 27.4 Amended articles of association of U Money, to be adopted before Admission and comparison document against original articles of association of U Money.

PART VI SCHEME OF ARRANGEMENT

IN THE HIGH COURT OF JUSTICE

No. CR-2021-000933

BUSINESS AND PROPERTY COURTS OF ENGLAND & WALES

COMPANIES COURT (ChD)

IN THE MATTER OF MORSES CLUB PLC

- and -

IN THE MATTER OF THE COMPANIES ACT 2006

SCHEME OF ARRANGEMENT

(under Part 26 of the Companies Act 2006)

BETWEEN

MORSES CLUB PLC

AND

THE HOLDERS OF THE SCHEME SHARES

(as hereinafter defined)

Preliminary

A. In this scheme of arrangement, references to Clauses are references to clauses of this scheme of arrangement and the following expressions shall, unless inconsistent with the subject or context, bear the following meanings:

£, pence or sterling means the lawful currency of the United Kingdom;

A *Share* means one ordinary share of £0.01 in the capital of Morses Club issued to U Money prior to the Company Reduction of Capital;

Business Day means any day other than a Saturday or Sunday on which banks in London are open for normal business;

Certificated or in Certificated form means in relation to a share or other security, which is not in Uncertificated form (that is, not in CREST);

Companies Act means the UK Companies Act 2006 (as amended from time to time);

Company Reduction of Capital means the reduction of capital of the Company through the cancellation of the Scheme Shares as part of the Scheme;

Court means the High Court of Justice of England and Wales;

Court Hearing means the hearing by the Court of the claim form to sanction the Scheme under section 899 of the Companies Act at which the Court Order will be sought;

Court Meeting means the meeting of Scheme Shareholders to be convened pursuant to an order of the Court pursuant to Part 26 of the Companies Act, to be held at Suite 2.01, One City West, Gelderd Road, Leeds, LS12 6NJ at 10.30 a.m. on 8 September 2021, to consider and, if thought fit, approve the Scheme, including any adjournment thereof;

Court Order means the order of the Court sanctioning the Scheme under Part 26 of the Companies Act and confirming the Company Reduction of Capital;

CREST means the UK-based system for the paperless settlement of trades in listed securities, of which Euroclear UK and Ireland Limited is the operator;

CREST Regulations means the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) as amended from time to time;

Euroclear means Euroclear UK & Ireland Limited, the operator of CREST;

holder means a registered holder, including any person entitled by transmission;

members means members of Morses Club on the register of members at any relevant date;

Morses Club means Morses Club PLC, a public limited company incorporated in England and Wales with registered number 06793980, whose registered office is at Building 1 The Phoenix Centre, Colliers Way, Nottingham, United Kingdom, NG8 6AT;

Morses Club Ordinary Shares means ordinary shares of £0.01 each in the capital of Morses Club in issue prior to the Scheme Effective Date;

Morses Club Shareholder means a holder of Morses Club Ordinary Shares from time to time;

New Shares means ordinary shares of £0.01 each in the capital of Morses Club to be issued to U Money;

Overseas Shareholder means a Scheme Shareholder who is a citizen, resident or national of any jurisdiction outside the United Kingdom;

Registrar of Companies means the Registrar of Companies in England and Wales;

Scheme means this scheme of arrangement in its present form or with any modification thereof or addition thereto or condition approved or imposed by the Court and agreed to by Morses Club and U Money;

Scheme Effective Date means the date on which the Scheme becomes effective in accordance with its terms;

Scheme Effective Time means the time at which the Scheme becomes effective on the Scheme Effective Date;

Scheme Record Time means close of business on the Business Day immediately prior to the Scheme Effective Date;

Scheme Shareholder means a holder of Scheme Shares;

Scheme Shares means, with the exception of the A Share, (i) all Morses Club Ordinary Shares in issue at the date of the Scheme and remaining in issue at the Scheme Record Time; (ii) all additional (if any) Morses Club Ordinary Shares in issue at the Scheme Voting Record Time and remaining in issue at the Scheme Record Time; and (iii) all further (if any) Morses Club Ordinary Shares which may be in issue immediately prior to confirmation by the Court of the Company Reduction of Capital provided for under the Scheme (as further described in Clause 1 below) in respect of which the original or any subsequent holders thereof are, or shall have agreed in writing to be, bound by the Scheme and remaining in issue at the Scheme Record Time;

Scheme Voting Record Time means close of business on 6 September 2021, or if the Court Meeting or is adjourned, close of business on the day which is two days before the date of the adjourned meeting, excluding any that is not a working day;

U Money means U Money PLC, a public limited company incorporated in England and Wales (registered number 13475052), whose registered office is at Building 1 The Phoenix Centre, Colliers Way, Nottingham, United Kingdom, NG8 6AT;

U Money Ordinary Shares means ordinary shares of £0.01 each in the capital of U Money;

U Money Reduction of Capital means the proposed reduction of capital of U Money, after the Scheme becomes effective;

U Money Subscriber Shareholders means a holder of U Money Subscriber Shares;

U Money Subscriber Shares means the two subscriber ordinary shares with a nominal value of £0.01 each in the capital of U Money;

Uncertificated or in Uncertificated form means recorded on the relevant register as in uncertificated form, being held in uncertificated form in CREST and title to which by virtue of CREST Regulations may be transferred by means of CREST; and

United Kingdom or UK means the United Kingdom of Great Britain and Northern Ireland.

- B. On 12 August 2021, the issued share capital of Morses Club as at the date of this Scheme is £1,323,305.39 consisting of 132,530,539 Morses Club Ordinary Shares, all of which are in issue and fully paid up. On 12 August 2021 (being the latest practicable date prior to the publication of this document), Morses Club did not hold any Morses Club Ordinary Shares in treasury. No Scheme Shares are or will be owned by U Money. U Money will be allotted and issued one A Share in the Company before the Company Reduction of Capital. The allotment and issue of the A Share to U Money will facilitate the allotment and the issue of the new shares in Morses Club to U Money under the Scheme without the need for an independent valuation report.
- C. U Money was incorporated in the United Kingdom as a public limited company on 24 June 2021 with registered number 13475052 under the name U Money PLC. The share capital of U Money as at the date of this Scheme is £50,000.02 divided into two U Money Subscriber Shares (both of which have been issued and are credited as fully paid) and 50,000 redeemable preference shares of £1.00 each (all of which have been issued and are credited as fully paid up).
- D. The effect of the Scheme will be to (among other matters) (i) cancel the Scheme Shares; (ii) issue the New Shares to U Money; and (iii) in consideration of the cancellation of the Scheme Shares and the allotment and issue of the New Shares to U Money, U money shall allot and issue U Money Ordinary Shares to the Scheme Shareholders, in each case, in accordance with the provisions of this Scheme. As a result, subject to the Scheme becoming effective, on the Scheme Effective Date, U Money will be the holding company of Morses Club and its subsidiary companies.
- E. U Money have agreed to appear by Counsel at the Court Hearing to sanction this Scheme and to undertake to the Court to be bound by this Scheme and to execute and do or procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed or done by them for the purpose of giving effect to this Scheme.

The Scheme

1. Cancellation of the Scheme Shares

- (a) At the Scheme Effective Time, the issued share capital of Morses Club shall be reduced by cancelling and extinguishing all of the Scheme Shares (the **Company Reduction of Capital**).
- (b) Subject to and forthwith upon the Company Reduction of Capital taking effect, the credit arising in the books of account of Morses Club as a result of the Company Reduction of Capital shall be capitalised and applied in paying up, in full at par, such number of New Shares as shall be equal to the number (and aggregate nominal value) of the Scheme Shares cancelled in accordance with Clause 1(a) above which shall be allotted and issued, credited as fully paid, to U Money.

2. U Money Ordinary Shares

In consideration for the cancellation of the Scheme Shares and the allotment and issue of the New Shares to U Money pursuant to Clause 1 above, U Money shall (subject to, and in accordance with, the remaining provisions in this Scheme), at the Scheme Effective Time, allot and issue (credited as fully paid) U Money Ordinary Shares to the Scheme Shareholders (as appearing in the register of members of Morses Club at the Scheme Record Time) on the following basis:

- (a) With the exception of the U Money Subscriber Shareholders, one U Money Ordinary Share for each Scheme Share held at the Scheme Record Time, for U Money Subscriber Shareholders, one U Money Ordinary Share for each Scheme Share held at the Scheme Record Time **minus** one U Money Ordinary Share from the final total U Money Ordinary Shares owed to the U Money Subscriber Shareholder.
- (b) The U Money Ordinary Shares shall be issued and credited as fully paid, shall rank equally in all respects with all other fully paid U Money Ordinary Shares and shall be entitled to all dividends and other distributions declared, paid or made by U Money by reference to a record date on or after the Scheme Effective Date.
- (c) The provisions of Clause 2(a) and (b) shall be subject to any prohibition or condition imposed by law. Without prejudice to the generality of the foregoing, if, in respect of any Overseas Shareholder, U Money is advised that the allotment and issue of U Money Ordinary Shares pursuant to this Clause would or might infringe the laws of any jurisdiction outside the United Kingdom or would or might require U Money to observe any governmental or other consent or effect any registration, filing or other formality with which, in the opinion of U Money, it would be unable to comply or which it regards as unduly onerous, then U Money may in its sole discretion either:
 - (i) determine that such U Money Ordinary Shares shall be sold, in which event the U Money Ordinary Shares shall be issued to such Overseas Shareholder and U Money shall appoint a person to act pursuant to this sub-clause 2(c)(i) and such person shall be authorised on behalf of such Overseas Shareholder to procure that any shares in respect of which U Money has made such a determination shall, as soon as practicable following the Scheme Effective Date, be sold at the best price which can reasonably be obtained at the time of sale and the net proceeds of such sale shall (after the deduction of all expenses and commissions, including any amount in respect of value added tax payable thereon) be paid to such Overseas Shareholder by sending a cheque or warrant to such Overseas Shareholder in accordance with the provisions of Clause 3 below. To give effect to any such sale, the person so appointed shall be authorised on behalf of such Overseas Shareholder to execute and deliver a form of transfer and to give such instructions and do all such things which he may consider necessary or expedient in connection with such sale. In the absence of bad faith or wilful default, none of Morses Club, U Money, any appointee referred to in this sub-clause 2(c)(i) or any broker or agent of any of them shall have any liability for any loss arising as a result of the timing or terms of any such sale; or
 - (ii) determine that no such U Money Ordinary Shares shall be allotted and issued to such Overseas Shareholder under this Clause, but instead such U Money Ordinary Shares shall be allotted and issued to a nominee appointed by U Money as trustee for such Overseas Shareholder, on terms that they shall, as soon as reasonably practicable following the Scheme Effective Date, be sold on behalf of such Overseas Shareholder at the best price which can reasonably be obtained at the time of sale and the net proceeds of such sale shall (after the deduction of all expenses and commissions, including any amount in respect of value added tax payable thereon) be paid to such Overseas Shareholder by sending a cheque or warrant to such Overseas Shareholder in accordance with the provisions of Clause 3 below. In the absence of bad faith or wilful default, none of Morses Club, U Money, any nominee referred to in this sub-clause 2(c)(ii) or any broker or agent of any of them shall have any liability for any loss arising as a result of the timing or terms of any such sale.

3. *Certificates and payments*

- (a) Not later than ten Business Days after the Scheme Effective Date, U Money shall send by post to the allottees of the allotted and issued U Money Ordinary Shares certificates in respect of such shares, save that where Scheme Shares are held in Uncertificated form, U Money shall procure that Euroclear is instructed to cancel the entitlement to Scheme Shares of each of the Scheme Shareholders concerned and to credit to the appropriate stock accounts in CREST of the Scheme Shareholders concerned their due entitlements to U Money Ordinary Shares.

- (b) Not later than ten Business Days following the sale of any relevant U Money Ordinary Shares pursuant to Clause 2(c), U Money shall procure that the nominee appointed under Clause 2(c)(i) or the person appointed under Clause 2(c)(ii) shall account for the cash payable by dispatching to the persons respectively entitled thereto, cheques and/or warrants by post or by any direct, bank or other funds transfer or, in the case of an Uncertificated share, by the relevant system.
- (c) All certificates required to be sent by U Money pursuant to Clause 3(a) and all cheques and/or warrants required to be sent pursuant to Clause 3(b) shall be sent by post in pre-paid envelopes addressed to the persons respectively entitled thereto at their respective addresses appearing in the register of members of Morses Club at the Scheme Record Time (or, in the case of joint holders, to the address of that one of the joint holders whose name stands first in the register in respect of the joint holding) or in accordance with any special instructions regarding communications received at the registered office of Morses Club prior to the Scheme Record Time.
- (d) If the U Money Ordinary Shares are consolidated or subdivided or if the nominal value of the U Money Ordinary Shares is reduced prior to the dispatch of any certificates or the giving of any instructions in accordance with this Clause 3, the certificates or instructions shall relate to such U Money Ordinary Shares as so consolidated, subdivided and/or reduced.
- (e) None of Morses Club, U Money, any nominee referred to in sub-clause 2(c)(i), such person appointed to act under sub-clause 2(c)(ii) or any agent of any of them shall be responsible for any loss or delay in transmission of certificates, cheques or warrants sent in accordance with this Clause 3.
- (f) All cheques and warrants shall be made payable to the Scheme Shareholder or, in the case of joint holders, to the first-named of such holders of the Scheme Shares concerned, in sterling drawn on a UK clearing bank, and the encashment of any such cheque or warrant shall be a complete discharge to U Money for the monies represented thereby. With respect to Scheme Shareholders who hold their Scheme Shares in Uncertificated form, all assured payment obligations created by Euroclear in favour of the payment bank of the persons entitled thereto for any sums payable to them respectively pursuant to Clause 2 above, shall be a complete discharge of U Money for the monies represented thereby.
- (g) This Clause 3 shall take effect subject to any prohibition or condition imposed by law.

4. *Certificates representing Scheme Shares*

With effect from and including the Scheme Effective Date, all certificates representing holdings of Scheme Shares shall cease to have effect as documents of title to the Scheme Shares comprised therein and every holder of Scheme Shares should destroy such certificates upon receipt of their share certificate for U Money Ordinary Shares.

5. *Record of cancellation of Scheme Shares*

- (a) Euroclear shall be instructed to cancel the entitlements to Scheme Shares of holders of Scheme Shares in Uncertificated form and appropriate entries shall be made in Morses Club's register of members, with effect from the Scheme Effective Date, to reflect their cancellation.
- (b) As regards Certificated Scheme Shares, appropriate entries shall be made in Morses Club's register of members, with effect from the Scheme Effective Date, to reflect their cancellation.

6. *Mandates and instructions*

Each mandate in force and duly notified to Morses Club at the Scheme Record Time relating to the payment of dividends and each instruction, election and communication preference then in force as to notices and other communications (including electronic communications) from Morses Club shall, unless and until varied or revoked, be deemed, from and including the Scheme Effective Date, to be a valid and effective mandate or instruction to U Money in relation to the corresponding U Money Ordinary Shares to be allotted and issued pursuant to this Scheme.

7. *Scheme Effective Date*

- (a) The Scheme shall become effective as soon as an office copy of the Court Order (including a copy of the related statement of capital) shall have been duly delivered to the Registrar of Companies for registration.
- (b) Unless the Scheme shall have become effective on or before 31 December 2021 or such later date, if any, as Morses Club and U Money may agree and the Court may allow, this Scheme shall never become effective.

8. *Modification*

Morses Club and U Money may jointly consent on behalf of all persons concerned to any modification of, or addition to, the Scheme or to any condition which the Court may think fit to approve or impose.

9. *Costs*

Morses Club is authorised and permitted to pay all the costs and expenses relating to the negotiation, preparation and implementation of the Scheme.

Dated 13 August 2021

PART VII DEFINITIONS AND GLOSSARY

The following definitions apply throughout this document (except in Part VII – *Scheme of Arrangement* of this document containing the Scheme of Arrangement, which contains separate definitions) unless the context requires otherwise:

A Share means the one ordinary share of £0.01 issued to U Money prior to the Company Reduction of Capital;

Act means the Companies Act 2006;

Admission means admission of the U Money Ordinary Shares to AIM in accordance with the AIM Rules, expected to occur on 12 October 2021;

AIM means the AIM market of the London Stock Exchange;

AIM Rules means the AIM Rules for Company published by the London Stock Exchange;

Audit Committee means the audit committee of Morses Club or, following the Scheme becoming effective, of U Money;

Board means the board of directors of Morses Club;

Business Day means any day other than a Saturday or Sunday on which banks in London are open for normal business;

Companies Act means the UK Companies Act 2006 (as amended from time to time);

Certificated or in Certificated form means in relation to a share or other security, which is not in Uncertificated form (that is, not in CREST);

Company Reduction of Capital means the reduction of capital of the Company through the cancellation of the Scheme Shares as part of the Scheme;

Court means the High Court of Justice of England and Wales;

Court Hearings means the Scheme Sanction Hearing and the U Money Reduction Sanction Hearing and **Court Hearing** shall be construed accordingly;

Court Meeting means the meeting of holders of Scheme Shares to be held at Suite 2.01, One City West, Gelderd Road, Leeds, LS12 6NJ, at 10.30 a.m. convened for 8 September 2021 pursuant to an order of the Court pursuant to Part 26 of the Act for the purposes of considering and, if thought fit, approving the Scheme, notice of which is set out in Part VIII – *Notice of Meetings* of this document, and any adjournment thereof;

CREST means the UK-based system for the paperless settlement of trades in listed securities, of which Euroclear UK and Ireland Limited is the operator;

CREST Manual means the CREST manual referred to in agreements entered into by Euroclear;

CREST Regulations means the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) as amended from time to time;

Deferred Shares means deferred shares of £0.01 issued by U Money from the merger reserve created as part of the U Money Reduction of Capital;

Delisting means the delisting of Morses Club Ordinary Shares from AIM, expected to occur on 12 October 2021;

Directors or Board means the directors of Morses Club, as set out in paragraph 6 of Part V – *Additional Information* of this document;

Disclosure and Transparency Rules means the disclosure and transparency rules relating to the disclosure of information in respect of financial instruments which have been admitted to trading on a regulated market or for which a request for admission to trading on such a market has been made, as published by the FSA;

DSP means the Morses Club PLC 2016 Deferred Share Plan;

Euroclear means Euroclear UK & Ireland Limited, the operator of CREST;

Executive Director(s) means the executive director(s) of Morses Club as set out in paragraph 6 of Part V – *Additional Information* of this document;

Explanatory Statement means Part II - *Explanation of the Scheme and its Effects* of this document and the parts of this document referred to in it which has been prepared in accordance with section 897 of the Act;

FCA means the Financial Conduct Authority of the United Kingdom;

Form(s) of Proxy means the white and blue form(s) of proxy sent to Scheme Shareholders for use in connection with the Court Meeting and the General Meeting, which accompany this document;

FSMA means the Financial Services and Markets Act 2000, as amended from time to time;

General Meeting means the general meeting of Morses Club to be held at Suite 2.01, One City West, Gelderd Road, Leeds, LS12 6NJ at 10.50 a.m. on 8 September 2021;

Group means (i) prior to the Scheme Effective Date, Morses Club and its subsidiary undertakings; and (ii) after the Scheme Effective Date, U Money and its subsidiary undertakings;

holder means a registered holder, including any person entitled by transmission;

HMRC means HM Revenue and Customs;

London time means the prevailing time in London, United Kingdom;

Meetings means the Court Meeting and the General Meeting, and **Meeting** shall be construed accordingly;

members means members of Morses Club on the register of members at any relevant date and **member** shall be construed accordingly;

Morses Club or the **Company** means Morses Club PLC, a public limited company incorporated in England and Wales with registered number 06793980;

Morses Club Articles means the articles of association of Morses Club;

Morses Club Employee Share Schemes means the DSP, SOP and SIP;

Morses Club Ordinary Shares means the ordinary shares of £0.01 each in the share capital of Morses Club;

Morses Club's Registrar or Registrar means Link Group;

Morses Club Shareholder means a holder for the time being of Morses Club Ordinary Shares;

New Shares means the ordinary shares in Morses Club of £0.01 each to be issued to U Money pursuant to the Scheme;

Nominations & Succession Committee means the nominations and successions committee of Morses Club or, following the Scheme Effective Date, of U Money;

Non-Executive Director(s) means the non-executive director(s) of Morses Club as set out in paragraph 6 of Part V – *Additional Information* of this document;

Ordinary Shares means: (i) prior to the Scheme Effective Date, the ordinary shares in Morses Club; and (ii) after the Scheme Effective Date, the ordinary shares in U Money;

Overseas Shareholders means Morses Club Shareholders who are resident in, ordinarily resident in, or citizens or nationals of, jurisdictions outside the United Kingdom;

Proposals means collectively, the Scheme (and connected Company Reduction of Capital) and the U Money Reduction of Capital;

Registrar of Companies means the Registrar of Companies in England and Wales;

relevant system has the meaning given to it in the Uncertificated Securities Regulation 2001;

Remuneration Committee means the remuneration committee of Morses Club or, following the Scheme Effective Date, of U Money;

Resolutions means the Special Resolutions;

RIS means any information service authorised from time to time by the FCA for the purpose of disseminating regulatory announcements;

Scheme or the **Scheme of Arrangement** means the members' scheme of arrangement under Part 26 of the Companies Act between Morses Club and holders of Scheme Shares including any modification, addition or condition approved by the Court, details of which are set out in this document;

Scheme Effective Date means the date on which this Scheme becomes effective in accordance with its terms, expected to be 12 October 2021;

Scheme Record Time means close of business on the Business Day immediately prior to the Scheme Effective Date;

Scheme Sanction Hearing means the hearing by the Court of the claim form to sanction the Scheme under Section 899 of the Act at which the Scheme Sanction Order will be sought;

Scheme Sanction Order means the order of the Court sanctioning the Scheme under Part 26 of the Act;

Scheme Shareholder means a holder of Scheme Shares;

Scheme Shares means, with the exception of the A Share, (i) all Morses Club Ordinary Shares in issue at the date of the Scheme and remaining in issue at the Scheme Effective Date; (ii) all additional (if any) Morses Club Ordinary Shares in issue at the Scheme Voting Record Time and remaining in issue at the Scheme Effective Date; and (iii) all further (if any) U Money Ordinary Shares which may be in issue immediately prior to confirmation by the Court of the Company Reduction of Capital in respect of which the original or any subsequent holder shall be bound or shall have agreed in writing by such time to be bound by the Scheme and remaining in issue at the Scheme Effective Date;

Scheme Voting Record Time means close of business on 6 September 2021, or if the Court Meeting or General Meeting is adjourned, close of business on the day which is two days before the date of such adjourned meeting, excluding any day that is not a working day;

Shelby Finance means Shelby Finance Ltd., a private limited company incorporated in England and Wales (registered number 08117620), whose registered office is at Building 1 The Phoenix Centre, Colliers Way, Nottingham, United Kingdom, NG8 6AT;

Shopacheck means Shopacheck Financial Services Limited, a private limited company incorporated in England and Wales (registered number 07067456), whose registered office is at Building 1 The Phoenix Centre, Colliers Way, Nottingham, United Kingdom, NG8 6AT;

SIP means the Morses Club plc Share Incentive Plan;

SOP means the Morses Club plc Unapproved Share Option Scheme;

Special Resolutions means the special resolutions which are set out in Part VIII – *Notice of Meetings* of this document, to be proposed to be passed at the General Meeting;

subsidiary or **subsidiary undertaking** has the meaning given in the Act;

UK or **United Kingdom** means the United Kingdom of Great Britain and Northern Ireland;

U Money means U Money PLC, a public limited company incorporated in England and Wales (registered number 13475052), whose registered office is at Building 1 The Phoenix Centre, Colliers Way, Nottingham, Nottinghamshire, United Kingdom, NG8 6AT;

U Money Articles means the articles of association of U Money at the date of this document;

U Money Ordinary Shares means (i) prior to the U Money Reduction of Capital, the ordinary shares of £0.01 each in the capital of U Money to be allotted and issued, credited as fully paid, in accordance with Clause 1 of the Scheme; and (ii) after the U Money Reduction of Capital, the ordinary shares of £0.01 each in the capital of U Money;

U Money Reduction of Capital means the proposed reduction of capital of U Money, after the Scheme Effective Date;

U Money Reduction Sanction Hearing means the hearing by the Court of the claim form to confirm the U Money Reduction of Capital under section 648 of the Companies Act at which the U Money Reduction Sanction Order will be sought;

U Money Reduction Sanction Order means the order of the Court confirming the U Money Reduction of Capital under section 648 of the Act;

U Money Shareholder means a holder of U Money Ordinary Shares from time to time;

U Money Subscriber Shareholders means a holder of U Money Subscriber Shares;

U Money Subscriber Shares means the two subscriber ordinary shares with a nominal value of £0.01 each in the capital of U Money; and

Uncertificated or in **Uncertificated form** means in relation to a share or other security, a share or other security title to which is recorded on the relevant register of the share or security concerned as being held in Uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST.

PART VIII NOTICE OF MEETINGS

NOTICE OF COURT MEETING

IN THE HIGH COURT OF JUSTICE

CR000933 of 2021

BUSINESS AND PROPERTY COURTS OF ENGLAND & WALES

COMPANIES COURT (ChD)

IN THE MATTER OF MORSES CLUB PLC

- and -

IN THE MATTER OF THE COMPANIES ACT 2006

NOTICE IS HEREBY GIVEN that by an Order dated 12 August 2021 made in the above matter the Court has given permission for a meeting (the *Court Meeting*) to be convened of the holders of the ordinary shares of £0.01 each not including any ordinary shares held by U Money PLC (hereinafter called the *Scheme Shares*) in the capital of Morses Club PLC (registered in England and Wales with registered number 06793980) (hereinafter called *Morses Club* or the *Company*) for the purpose of considering and, if thought fit, approving (with or without modification) a scheme of arrangement proposed to be made between Morses Club and the holders of the Scheme Shares (the *Scheme of Arrangement*) expressed to be subject to that Scheme of Arrangement and that such meeting will be held at Suite 2.01, One City West, Gelderd Road, Leeds, LS12 6NJ at 10.30 a.m. on 8 September 2021 (London time) at which place and time all the holders of Scheme Shares are requested to attend.

A copy of the Scheme of Arrangement and a copy of the explanatory statement required to be furnished pursuant to section 897 of the Companies Act 2006 (the *Explanatory Statement*) are incorporated in the document of which this notice forms part.

Scheme Shareholders entitled to attend and vote at the Court Meeting may vote in person at the Court Meeting or they may appoint another person, whether a member of the Company or not, as their proxy to attend and vote in their stead.

A blue Form of Proxy for use at the Court Meeting is enclosed with this notice. Completion of the blue Form of Proxy (or appointment of a proxy electronically) will not prevent a Scheme Shareholder from attending and voting at the Court Meeting (or any adjournment thereof) in person, if they wish to do so.

It is requested that the blue Form of Proxy (together with any power of attorney or other authority under which it is signed, or a notarially certified copy of such power or authority) be lodged with the Registrar of the Company, Link Group, at 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL, no later than 10.30 a.m. on 6 September 2021 or, if the meeting is adjourned, by not later than 48 hours before the time of the adjourned meeting but, if forms are not so lodged, they may be handed to the Registrar of the Company, Link Group, or the Chairman at the Court Meeting. For an electronic proxy appointment to be valid, it must be received by the Registrar of the Company by no later than 10.30 a.m. on 6 September 2021.

Alternatively, a shareholder may register a proxy appointment and give voting instructions online via Link Group www.signalshares.com subject to the terms and conditions shown on the website. If not previously registered, you will need your investor code to do so. This is shown on your share certificate. Once registered, you will immediately be able to vote.

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Court Meeting and any adjournment(s) thereof by using the procedures described in the CREST manual.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a “CREST Proxy Instruction”) must be properly authenticated in accordance with the specifications of Euroclear UK & Ireland Limited (“Euroclear”) and must contain the information required for such instructions, as described in the CREST manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company’s Registrars, Link Group (CREST ID RA10) by 10:30 a.m. (London time) on 6 September 2021. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which Link Group is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001

In the case of joint holders of a share, the vote of the senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder(s) and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

To be entitled to attend and vote at the Court Meeting (and for the purpose of the determination of the votes that may cast), Scheme Shareholders must be registered in the register of members at the Scheme Voting Record Time (as defined in the Scheme of Arrangement). Changes to entries on the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend or vote at the meeting. Changes to entries in the relevant register of members after close of business on 6 September 2021 or, in the event that the Court Meeting is adjourned, at close of business two days before the date of any adjourned meeting (excluding any day that is not a working day), shall be disregarded in determining the rights of any person to attend or vote at the Court Meeting.

Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a ***Nominated Person***) may, under an agreement between them and the member by whom they were nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, they may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights. The statement of the rights of members in relation to the appointment of proxies in this notice does not apply to Nominated Persons. The rights described therein can only be exercised by members of the Company.

Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

By the Order, the Court has appointed Stephen Karle or, failing him, Paul Smith or, failing him, Graeme Campbell, to act as Chairman of the Court Meeting and has directed the Chairman to report the result of it to the Court.

The Scheme of Arrangement will be subject to the subsequent sanction of the Court.

Dated 13 August 2021

Freshfields Bruckhaus Deringer LLP

100 Bishopsgate

London EC2P 2SR

NOTICE OF GENERAL MEETING

The General Meeting of Morses Club PLC (the *Company*) will be held at Suite 2.01, One City West, Gelderd Road, Leeds, LS12 6NJ at 10.50 a.m. on 8 September 2021 to consider and, if thought fit, to pass the proposed resolutions as set out below. Voting on these resolutions will be by way of a poll.

SPECIAL RESOLUTIONS

Resolution 1 – Adoption of amended articles of association

That with effect from the time that Resolution 2 is passed, the amended articles of association of the Company produced to the meeting and initialled by the Chairman for the purpose of identification (the *Amended Articles*) be approved and adopted as the articles of association of the Company, in substitution for the existing articles of association.

Resolution 2 – Scheme of Arrangement

That:

for the purpose of giving effect to the scheme of arrangement between the Company and the holders of the Scheme Shares (as defined in the Scheme), a print of which has been produced to this meeting and for the purposes of identification signed by the Chairman hereof, in its original form or subject to such modification, addition or condition agreed between the Company and U Money and approved or imposed by the High Court (the *Scheme*):

- (a) the Scheme be approved and the directors of the Company be and are hereby authorised to take all such action as they may consider necessary or appropriate for carrying the Scheme into effect;
- (b) the issued share capital of the Company be reduced by cancelling and extinguishing all of the Scheme Shares;
- (c) subject to and conditional upon the reduction of capital referred to in Resolution 2(b) above taking effect and notwithstanding anything to the contrary in the articles of association of the Company:
 - (i) the Company shall apply the credit arising in its books of account as a result of the reduction of share capital referred to in Resolution 2(b) above in paying up, in full at par, such number of ordinary shares of £0.01 each in the capital of the Company (the *New Shares*) as shall be equal to the number of Scheme Shares (as defined in the Scheme) cancelled pursuant to Resolution 2(b) above, which shall be allotted and issued, credited as fully paid, to U Money and/or U Money's nominee(s) in accordance with the Scheme; and
 - (ii) conditional on the Scheme becoming effective, the directors of the Company be and are hereby generally and unconditionally authorised, for the purposes of Section 551 of the Act, to allot the New Shares provided that: (1) the maximum aggregate nominal amount of relevant securities that may be allotted under this authority shall be the aggregate nominal amount of the New Shares (not exceeding £132,531); (2) this authority shall expire (unless previously revoked, varied or renewed) at the end of the next general meeting (including an annual general meeting) of the Company or 18 months after the date on which the reduction is passed (whichever is the earlier); and (3) this authority

shall be in addition, and without prejudice to, any other subsisting authority under Section 551 of the Act previously granted and in force on the date on which this resolution is passed;

- (d) subject to and conditional upon the reduction of capital referred to in Resolution 2(b) above taking effect, the New Shares be issued and allotted to U Money;
- (e) the directors of the Company be and are hereby generally and unconditionally authorised, for the purposes of section 551 of the Act, to allot one ordinary shares in the capital of the Company to U Money PLC;
- (f) subject to and conditional upon the Scheme becoming effective, all of the ordinary shares of £0.01 in the Company be delisted from AIM (as defined in the Scheme).

By order of the Board

Dave Belmont

Company Secretary

13 August 2021

NOTES TO THE NOTICE OF GENERAL MEETING

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to any aspect of the proposals referred to in this document or as to the action you should take, you should seek your own advice from a stockbroker, solicitor, accountant or other appropriate professional adviser.

If you have sold or otherwise transferred (or will sell or transfer) all of your shares prior to close of business on 6 September 2021 please pass this document, together with the accompanying documents, to the purchaser or transferee, or to the person who arranged the sale or transfer, so that they can pass these documents to the person who now holds the shares.

Issued share capital and total voting rights

As at 12 August 2021, the Company's ordinary issued share capital consists of 132,530,539 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 12 August 2021 are 132,530,539.

Entitlement to attend and vote

To be entitled to vote at the General Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), shareholders must be registered in the register of members of the Company at close of business on 6 September 2021. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to vote at the General Meeting.

Proxies

Shareholders entitled to attend and vote at the General Meeting may appoint one or more proxies to attend, speak and vote at the General Meeting instead of them. The Company encourage shareholders to appoint the Chairman, as their proxy. Appointing a proxy will not preclude shareholders from attending and voting at the General Meeting if they later decide to do so.

You should have received a white and blue proxy form with this Notice. The white form of proxy is for use at the General Meeting. You can only appoint a proxy using the procedures set out in these notes and the explanatory notes to the proxy form.

A proxy need not be a shareholder of the Company but must attend the General Meeting to represent you. If you wish to appoint a person other than the Chairman, please insert the name of your chosen proxy holder in the space provided. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name the number of ordinary shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or, if the proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account).

You may indicate how you wish your proxy to vote by ticking the relevant boxes on the enclosed proxy form. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote or abstain from voting as he or she thinks fit in relation to any other matter which is put before the General Meeting.

Voting at the General Meeting

On a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative, not being himself a member entitled to vote, shall have one vote. Also, every proxy present who has been duly appointed by one or more members entitled to vote on the resolution has one vote. A proxy has one vote for and one vote against the resolution if the proxy has been duly appointed by more than one member entitled to vote on the resolution and the proxy has been instructed by one or more of those members to vote for the resolution and by one or more other of those members to vote against it.

On a poll, every member shall have one vote for every ordinary share of which he or she is the holder.

Vote withheld

A vote withheld option is provided to enable you to abstain on any particular resolution. It is not a vote in law, which means that the vote will not be counted in the calculation of the number of votes for or against the resolution.

Multiple proxies

You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different ordinary shares. You may not appoint more than one proxy to exercise rights attached to any one ordinary share. To appoint more than one proxy, (an) additional proxy form(s) may be obtained by contacting the shareholder's helpline or you may copy the enclosed proxy form. Please enter in the box next to the proxy holder's name, the number of ordinary shares in relation to which they are authorised to act as your proxy.

Appointment of proxy using hard-copy form

Proxy forms are enclosed. To be valid these should be completed, signed and sent or delivered to the Registrar in the reply paid envelope provided, to be received no later than 10.50 a.m. on 6 September 2021 in the case of the white Form of Proxy (General Meeting) or not less than 48 hours before any adjourned meeting at which the person named in the proxy form proposes to vote.

In the case of a shareholder which is a company, a proxy form must be executed under its common seal or signed on its behalf by a duly authorised person or in any other manner authorised by its constitution.

Where this proxy form is signed under a power of attorney or other authority, such power or authority (or a notarially certified copy thereof) should be enclosed with the proxy form.

Appointment of proxy by joint shareholders

In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first named being the most senior).

Electronic appointment of proxies

As an alternative to completing the hard-copy proxy form, you can register your proxy appointment at www.signalshares.com.

Changing proxy instructions

To change your proxy instructions, you must submit a new proxy appointment using either the hard-copy proxy form appointment method or the electronic appointment method set out above. Note that the cut-off time as set out above for receipt of proxy appointments also applies in relation to the receipt of amended proxy appointments; any amended proxy appointment received after the relevant cut-off time will be disregarded. For the avoidance of doubt, any indication of how you wish your proxy to vote contained in your proxy appointment constitutes part of such appointment and, as such, the relevant cut-off time applicable to the receipt of amended proxy appointments also applies to any amendment of any voting instructions given to your proxy by way of your proxy appointment.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact the Registrar, using the details set out below.

If you have voted online you can amend your vote by resubmitting your voting instructions electronically as described above.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointment

In order to revoke a proxy instruction you will need to inform the Company using one of the following methods:

- by sending a signed hard-copy notice clearly stating your intention to revoke your proxy appointment to the Registrar. In the case of a shareholder which is a company, the revocation notice must be executed under its common seal or signed on its behalf by a duly authorised person or in any other manner specified in its constitution. Any power of attorney or any other authority under which the revocation notice is signed (or a notarially certified copy of such power or authority) must be included with the revocation notice; or
- by calling the Registrar's helpline.

In either case, the revocation notice must be received by the Registrar at least three hours before the commencement of the General Meeting or adjourned meeting at which the vote is to be given.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the General Meeting and voting in person. If you have appointed a proxy and attend and vote at the General Meeting in person, your proxy appointment will be terminated automatically.

Nominated Persons

The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 of the Companies Act 2006 (*Nominated Persons*). If you are a Nominated Person you may have a right under an agreement with the registered shareholder who has nominated you to have information rights (the *Relevant Shareholder*) to be appointed (or to have someone else appointed) as a proxy for the Court Meeting and the General Meeting but you cannot yourself appoint a proxy. Alternatively, if you do not have such a right, or do not wish to exercise it, you may have the right under such an agreement to give instructions to the Relevant Shareholder as to the exercise of voting rights.

Nominated Persons should also remember that their main point of contact in terms of their investment in the Company remains the Relevant Shareholder (or the custodian or broker who administers the investment on their behalf).

Nominated Persons should continue to contact that shareholder, custodian or broker (and not the Company) regarding any changes or queries relating to the Nominated Person's personal details and interest in the Company (including any administrative matter). The only exception to this is where the Company expressly requests a response from a Nominated Person.

Voting through the CREST electronic proxy appointment service

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Court Meeting and the General Meeting (and any adjournment of the General Meeting) by using the procedures described in the CREST Manual (available from www.euroclear.com/site/public/EUI). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a *CREST Proxy Instruction*) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the registrar (ID RA10) by 10.30 a.m. in the case of the Court Meeting and 10.50 a.m. in the case of the General Meeting, both on 6 September 2021. For this purpose, the time of receipt will be taken to mean the time (as determined by the timestamp applied to the message by the CREST application host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that their CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST

sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Corporate representatives

Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that no more than one corporate representative exercises powers in relation to the same shares.

Documents available for inspection

The following documents are available for inspection during normal business hours at the registered office of the Company on any business day from the date of these Notices until the time of the General Meeting and may also be inspected at the General Meeting venue, as specified in these Notices, from at least 15 minutes prior to, and on the day of the Court Meeting and the General Meeting until the conclusion of the General Meeting:

- copies of the Executive Directors' employment contracts with Morses Club;
- the Amended Articles;
- the document of which these Notices form part.

Information available on our website

A copy of these Notices, and other information required by Section 311A of the Companies Act 2006, can be found on the Company's website at www.morsesclubplc.com.

Communication

Except as provided above, shareholders who have general queries about the General Meeting should use the following means of communication (no other methods of communication will be accepted):

- by calling the Registrar's helpline on 0371 664 0321 from the UK or +44 371 664 0321 from outside the UK; or
- email Link at shareholderenquiries@linkgroup.co.uk.

Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open 9.00 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Link Group are open 9.00 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales.

You may not use any electronic address provided either in these Notices or in any related documents (including the Chairman's letter and proxy form) to communicate with the Company for any purposes other than those expressly stated.

EXPLANATION OF RESOLUTIONS

Resolutions 1 and 2 will be proposed as Special Resolutions.

For these resolutions to be passed, 75 per cent. or more of shareholders' votes cast must be in favour.

Resolution 1 – Adoption of amended articles of association

This resolution seeks shareholders' approval to adopt the Amended Articles.

The change that is of particular relevance to the Scheme is Article 214 which provides that any shares are issued by the Company after the adoption of the Amended Articles but before the Scheme Record Time shall be Scheme Shares. It also provides that any shares issued by the Company after the Scheme Record Time to any person other than U Money shall immediately be transferred to U Money in return for shares in U Money on the same terms as under the Scheme. The text of Article 214 is set out below

“Shares not otherwise subject to the Scheme

Notwithstanding any other provision of these Articles, if the Company issues any shares on or after the date of adoption of this Article 214 and at or prior to the Scheme Record Time (as defined in the Scheme of Arrangement Circular), such shares shall be issued subject to the terms of the Scheme of Arrangement (and shall be scheme shares for the purposes of the Scheme) and the holder or holders of such shares shall be bound by the Scheme of Arrangement accordingly:

- (i) If any shares in the Company are allotted and issued to any person other than U Money and/or its nominee or nominees (a *New Member*) after the Scheme Record Time, they will immediately be transferred to U Money and/or its nominee or nominees in consideration of and conditional on the issue or transfer to the New Member of one U Money Ordinary Share for every one share in the Company so transferred. The U Money Ordinary Shares issued or transferred pursuant to this Article 214 to the New Member will be credited as fully paid and will rank equally in all respects with all U Money Ordinary Shares in issue at the time and be subject to the memorandum and articles of association of U Money.
- (ii) The number of U Money Ordinary Shares to be issued or transferred to the New Member under this Article 214 may be adjusted by the directors in such manner as the auditors of the Company may determine on any reorganisation or material alteration of the share capital of either the Company or of U Money or any other return of value to holders of U Money Ordinary Shares, provided always that any fractions of U Money Ordinary Shares shall be disregarded and shall be aggregated and sold for the benefit of U Money.
- (iii) In order to give effect to any such transfer required by this Article 214, the Company may appoint any person to execute and deliver a form of transfer on behalf of the New Member in favour of U Money and/or its nominee or nominees and to agree for and on behalf of the New Member to become a member of U Money. Pending the registration of U Money as holder of any share to be transferred pursuant to this Article 214, U Money shall be empowered to appoint a person nominated by the directors to act as agent and/or irrevocable appointee on behalf of any holder of such share in

accordance with such directions as U Money may give in relation to any dealings with or disposal of such share (or any interest therein), exercising any rights attached thereto or receiving any distribution or other benefit accruing or payable in respect thereof and any holder of such share shall exercise all rights attached thereto in accordance with the directions of U Money but not otherwise.

- (iv) If the Scheme of Arrangement shall not have become effective by the applicable date referred to in (or otherwise set in accordance with) the Scheme of Arrangement Circular, this Article 214 shall cease to be of any effect.”

This amendment will avoid any shares being issued in the Company where they should instead be receiving shares in U Money, as part of an employee share plan.

The other principal changes are set out in more detail below. Changes of a minor or technical nature are not so noted but a copy of the Amended Articles including all proposed changes is available for inspection on the Company’s website or at the Company’s registered office and will be available for at least 15 minutes prior to and during the General Meeting.

A brief overview of the amendments to the Articles of the Company is as follows:

- (v) Further amendments to the Company’s articles will include general updates such as:
- wording setting out the rights and obligations attached to deferred shares and their issue by the Company;
 - changes expressly permitting the holding of hybrid and entirely virtual general meetings and providing for security at electronic meetings;
 - aligning wording regarding untraced shareholders with the Companies Act 2006 and the general market position and removing outdated wording in relation to issuance of bearer shares (which are no longer legally permitted to exist);
 - wording providing for greater flexibility in relation to the methods of payment of dividends;
 - minor updates to provisions regarding receipt of notice and proxy appointments; and
 - minor changes to definitions and formatting where necessary and adopting gender neutral language throughout.

Resolution 2 –Scheme of Arrangement

The Company proposes to introduce a new, AIM quoted, holding company, U Money, for the Morses Club group of companies by way of the Scheme under Part 26 of the Act. The background and reasons for the Scheme are set out in the Chairman’s Letter included in the document of which these Notices form part. Resolution 2 seeks to obtain shareholder approval for certain matters in connection with the Scheme and is proposed to give the Directors the necessary powers and authorities to implement the Scheme.

Paragraphs (a)-(c) of Resolution 2 are proposed to give the Directors the necessary powers and authorities to implement the Scheme.

Paragraph (b) of Resolution 2 cancels the Scheme Shares, which are all the ordinary shares of Morse Club, except the one share issued to U Money authorized by paragraph (e) of Resolution 2

Paragraphs (a) and (d) of Resolution 2 is proposed to authorise the Directors for the purposes of Section 551 of the Act to issue and allot what are expected to be 132,530,539 ordinary shares in the share capital of the Company to U Money (or such number that is the same as the number of shares cancelled under paragraph (b) of Resolution 2).

Paragraph (e) of Resolution 2 is proposed to authorise the directors of the Company for the purposes of section 551 of the Act to issue and allot one ordinary share of £0.01 in the Company prior to the cancellation of the Scheme Shares to U Money to obviate the need under the Act for a valuation report to be produced by Morses Club before it issues shares to U Money pursuant to the Scheme.

Paragraph (f) of Resolution 2 is proposed to enable the shareholders of the Company, to approve the de-listing of the Company's ordinary shares upon the Scheme becoming effective. Further details relating to the proposed de-listing of the ordinary shares of the Company are contained in Part II - *Explanation of the Scheme and its Effects* of the document of which these Notices forms part.