

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the contents of this Document, you should consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser who specialises in advising on the acquisition of shares and other securities and is duly authorised under the Financial Services and Markets Act 2000 (as amended) ("FSMA").

Application has been made for the entire issued and to be issued ordinary share capital of the Company to be admitted to trading on AIM, a market operated by London Stock Exchange plc. It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence on 24 May 2021. The Existing Ordinary Shares are not dealt on any other recognised investment exchange and no application has been or is being made for the Ordinary Shares to be admitted to any such exchange.

**AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom's Financial Conduct Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required, pursuant to the AIM Rules for Companies, to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this Document.**

Prospective investors should read the whole text of this Document and should be aware that an investment in the Company is speculative and involves a high degree of risk and prospective investors should carefully consider the section entitled "Risk Factors" set out in Part II of this Document. All statements regarding the Company's business, financial position and prospects should be viewed in light of these risk factors.

This Document, which is drawn up as an AIM admission document in accordance with the AIM Rules, has been issued in connection with the application for admission to trading on AIM of the entire issued and to be issued ordinary share capital of the Company. This Document does not constitute an offer to the public requiring an approved prospectus under section 85 of FSMA and, accordingly, this Document does not constitute a prospectus for the purposes of FSMA and the Prospectus Rules and has not been pre-approved by the FCA pursuant to section 85 of FSMA. Copies of this Document will be available free of charge to the public during normal business hours on any day (Saturdays, Sundays and public holidays excepted) at the registered office of the Company from the date of this Document until one month from the date of Admission in accordance with the AIM Rules. A copy of this Document will also be available from the Company's website at [www.kitwave.co.uk](http://www.kitwave.co.uk).

The Directors, whose names appear on page 11 of this Document, and the Company accept responsibility, both individually and collectively, for the information contained in this Document. To the best of the knowledge and belief 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 does not omit anything likely to affect the import of such information.

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## **Kitwave Group plc**

*(a company incorporated in England and Wales under the Companies Act 2006 with company number 09892174)*

### **Placing of 54,420,004 Ordinary Shares at 150 pence per Ordinary Share and Admission to trading on AIM**

***Nominated Adviser, Sole Bookrunner and Sole Broker***

**cg/canaccord  
Genuity**

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#### **Enlarged Ordinary Share Capital immediately following Admission**

<b>Number</b>	<b>Issued and fully paid</b>	<b>Amount £</b>
70,000,000	Ordinary Shares of £0.01 each	700,000.00

The Placing is conditional, *inter alia*, on Admission taking place by 8.00 a.m. on 24 May 2021 (or such later date as the Company and Canaccord Genuity may agree, being not later than 14 June 2021). The Placing Shares and the Existing Ordinary Shares will, upon Admission, rank *pari passu* in all respects and will rank in full for all dividends and other distributions declared paid or made in respect of the Ordinary Shares after Admission. It is emphasised that no application is being made for the Enlarged Ordinary Share Capital to be admitted to the Official List or to any other recognised investment exchange.

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

Without limiting the statutory rights of any person to whom this Document is issued, no representation or warranty, express or implied, is made by Canaccord Genuity as to the contents of this Document. Apart from the responsibilities and liabilities, if any, which may be imposed on Canaccord Genuity by FSMA or the regulatory regime established thereunder, no liability whatsoever is accepted by Canaccord Genuity for the accuracy of any information or opinions contained in this Document, for which the Directors are solely responsible, or for the omission of any information from this Document for which it is not responsible.

In accordance with the AIM Rules for Nominated Advisers, Canaccord Genuity has confirmed to London Stock Exchange plc that it has satisfied itself that the Directors have received advice and guidance as to the nature of their responsibilities and obligations to ensure compliance by the Company with the AIM Rules and that, in its opinion and to the best of its knowledge and belief, all relevant requirements of the AIM Rules have been complied with. No liability whatsoever is accepted by Canaccord Genuity for the accuracy of any information or opinions contained in this Document or for the omissions of any material information, for which it is not responsible.

This Document does not constitute an offer to sell or an invitation to subscribe for, or solicitation of an offer to subscribe for or buy, shares to any person in any jurisdiction to whom it is unlawful to make such offer, invitation or solicitation. In particular, this Document must not be taken, transmitted, distributed or sent, directly or indirectly, in, or into, the United States of America, Canada, Australia, Japan or the Republic of South Africa or transmitted, distributed or sent to, or by, any national, resident or citizen of such countries. Accordingly, neither the Placing Shares nor the Secondary Placing Shares may, subject to certain exceptions, be offered or sold, directly or indirectly, in, or into, or from, the United States of America, Canada, Australia, Japan or the Republic of South Africa or in any other country, territory or possession where to do so may contravene local securities laws or regulations. The Placing Shares and the Secondary Placing Shares have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) or under the securities legislation of any state of the United States of America, any province or territory of Canada, Australia, Japan or the Republic of South Africa and may not be offered or sold, directly or indirectly, within the United States of America or Canada, Australia, Japan or the Republic of South Africa or to or for the account or benefit of any national, citizen or resident of the United States of America, Canada, Australia, Japan or the Republic of South Africa or to any US person (within the definition of Regulation S made under the United States Securities Act 1933 (as amended)).

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

## IMPORTANT INFORMATION

### General

The Company does not accept any responsibility for the appropriateness, accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media or any other person regarding the Placing or the Company. The Company makes no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication.

As required by the AIM Rules for Companies, the Company will update the information provided in this Document by means of a supplement to it if a significant new factor that may affect the evaluation by prospective investors of the Placing occurs prior to Admission or if it is noted that this Document contains any mistake or substantial inaccuracy. This Document and any supplement thereto will be made public in accordance with the AIM Rules for Companies.

The contents of this Document are not to be construed as legal, business or tax advice. Each prospective investor should consult his or her own lawyer, financial adviser or tax adviser for legal, financial or tax advice in relation to any purchase or proposed purchase of Ordinary Shares. Each prospective investor should consult with such advisers as needed to make its investment decision and to determine whether it is legally permitted to hold shares under applicable legal investment or similar laws or regulations. Prospective investors should be aware that they may be required to bear the financial risks of an investment in Ordinary Shares for an indefinite period of time.

No person has been authorised to give any information or make any representation other than those contained in this Document and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Company, the Directors or Canaccord Genuity.

This Document is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, the Directors, Canaccord Genuity or any of their representatives that any recipient of this Document should subscribe for or purchase any of the Placing Shares or Secondary Placing Shares.

Prior to making any decision as to whether to subscribe for or purchase any Ordinary Shares, prospective investors should read the entirety of this Document and, in particular, the section headed "Risk Factors" in Part II of this Document. Investors should ensure that they read the whole of this Document and not just rely on key information or information summarised within it. In making an investment decision, prospective investors must rely upon their own examination of the Company and the terms of this Document, including the risk involved. Any decision to acquire Ordinary Shares should be based solely on this Document.

Investors who subscribe for or purchase Placing Shares or Secondary Placing Shares will be deemed to have acknowledged that: (i) they have not relied on Canaccord Genuity or any person affiliated with Canaccord Genuity in connection with any investigation of the accuracy of any information contained in this Document for their investment decision; and (ii) they have relied only on the information contained in this Document, and no person has been authorised to give any information or to make any representation concerning the Company or the Ordinary Shares (other than as contained in this Document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by or on behalf of the Company, the Directors or Canaccord Genuity.

None of the Company, the Directors, Canaccord Genuity or any of their representatives is making any representation to any subscriber or purchaser of Ordinary Shares regarding the legality of an investment by such subscriber or purchaser.

In connection with the Placing, Canaccord Genuity and any of its affiliates, acting as investors for their own accounts, may acquire Ordinary Shares, and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Ordinary Shares and other securities of the Company or related investments in connection with the Placing or otherwise. Accordingly, references in this Document to the Ordinary Shares being offered, subscribed, acquired, placed or otherwise dealt with should be read as including any offer to, or subscription, acquisition, dealing or placing by, Canaccord Genuity and any of its affiliates acting as investors for their own accounts. Canaccord Genuity and any of its respective affiliates may have engaged in transactions with, and

provided various investment banking, financial advisory and other services to the Company, for which they would have received customary fees.

Canaccord Genuity and any of its respective affiliates may provide such services to the Company and any of its affiliates in the future.

#### **Notice to Prospective Investors in the United Kingdom**

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

#### **Notice to Prospective Investors in the European Economic Area**

In relation to each member state of the European Economic Area (“EEA”) other than the United Kingdom (each, a “**Member State**”), no Ordinary Shares have been offered or will be offered pursuant to the Placing to the public in that Member State prior to the publication of a prospectus in relation to the Ordinary Shares which has been approved by the competent authority in that Member State or in accordance with the Prospectus Regulation, except that offers of Ordinary Shares to the public may be made at any time under the following exemptions under the Prospectus Regulation: (i) to any legal entity which is a qualified investor as defined in the Prospectus Regulation; (ii) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) in such Member State; or (iii) in any other circumstances falling within Article 1(4) of the Prospectus Regulation, provided, that no such offer of Ordinary Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation and each person who initially acquires any Ordinary Shares or to whom any offer is made under the Placing will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of the Prospectus Regulation.

For the purposes of this provision, the expression “an offer to the public” in relation to any offer of Ordinary Shares in any Member State means a communication in any form and by any means presenting sufficient information on the terms of the offer and any Ordinary Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Ordinary Shares, and the expression “Prospectus Regulation ” means Regulation 2017/1129/EU.

#### **Restrictions on Sales in the United States of America**

The Ordinary Shares have not been and will not be registered under the US Securities Act, or with any securities regulatory authority of any State or other jurisdiction of the United States of America and, subject to certain exceptions, may not be offered or sold within the United States of America. The Ordinary Shares are being sold outside of the United States of America in reliance on Regulation S under the US Securities Act (“**Regulation S**”).

#### **Presentation of Financial Information**

The reports on financial information included in Parts III and IV of this Document have been prepared in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom and includes the related consent to its inclusion in this Document as required by the AIM Rules for Companies and solely for that purpose. Unless otherwise indicated, financial information in this Document, including the Group’s combined audited financial statements for the two 12 month financial periods ended 30 April 2018 and 2019 and the financial period for the 18 months ended 31 October 2020, and the notes to that financial information prepared in accordance with the basis of preparation stated therein, prepared in accordance with IFRS.

## **Non-IFRS financial information**

This Document contains certain financial measures that are not defined or recognised under IFRS adjusted for transaction expenses, including Adjusted EBITDA (being earnings before interest, tax, depreciation, amortisation adjusted to exclude restructuring and acquisition related expenses). Information regarding these measures are sometimes used by investors to evaluate the efficiency of a company's operations and its ability to employ its earnings toward repayment of debt, capital expenditures and working capital requirements. There are no generally accepted principles governing the calculation of these measures and the criteria upon which these measures are based can vary from company to company. These measures, by themselves, do not provide a sufficient basis to compare the Company's performance with that of other companies and should not be considered in isolation or as a substitute for operating profit or any other measure as an indicator of operating performance, or as an alternative to cash generated from operating activities as a measure of liquidity.

## **Rounding**

Certain figures and percentages in this Document have been subject to rounding adjustments. Accordingly, any apparent discrepancies in tables between the totals and the sums of the relevant amounts are due to rounding.

## **Currencies**

Unless otherwise indicated in this Document, all references to "pounds Sterling" or "£" are to the lawful currency of the UK. Unless otherwise indicated, the financial information contained in this Document has been expressed in pounds Sterling. For all members of the Company, the functional currency is pounds Sterling and the Company presents its financial statements in pounds Sterling.

## **Forward-Looking Statements**

Some of the statements in this Document include forward looking statements which reflect the Directors' current views with respect to financial performance, business strategy, plans and objectives of management for future operations (including development plans relating to the Company's products and services). These statements include forward looking statements both with respect to the Company and the sectors and industries in which the Company operates. Statements which include the words "expects", "intends", "plans", "believes", "projects", "anticipates", "will", "targets", "aims", "may", "would", "could", "continue" and similar statements are of a future or forward looking nature.

All forward looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause the Company's actual results to differ materially from those indicated in these statements. These factors include but are not limited to those described in Part II of this Document entitled "Risk Factors", which should be read in conjunction with the other cautionary statements that are included in this Document. Any forward looking statements in this Document reflect the Directors' current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to the Company's operations, results of operations and growth strategy.

These forward looking statements speak only as of the date of this Document. The Company undertakes no obligation to publicly update or review any forward looking statement, whether as a result of new information, future developments or otherwise. All subsequent written and oral forward looking statements attributable to the Company or individuals acting on behalf of the Company are expressly qualified in their entirety by this paragraph. Prospective investors should specifically consider the factors identified in this Document which could cause actual results to differ before making an investment decision.

## **Presentation of Market, Economic and Industry Data**

This Document contains information regarding the Group's business and the industry in which it operates and competes, which the Company has obtained from third party sources. Such third party information has been accurately reproduced and, so far as the Company is aware and is able to ascertain from information published by the relevant third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The Company has obtained the



third party data in this Document from industry studies, forecasts, reports, surveys and other publications.

### **No Incorporation of Website Information**

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

### **Interpretation**

Certain terms used in this Document are defined and certain technical and other terms used in this Document are explained at the section of this Document under the heading “Definitions”. All times referred to in this Document are, unless otherwise stated, references to London time.

All references to legislation in this Document are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation or regulation shall include any amendment, modification, re-enactment or extension thereof.

Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

### **UK Product Governance Requirements**

Solely for the purposes of the product governance requirements contained within the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK Product Governance Rules**”), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any ‘manufacturer’ (for the purposes of the UK Product Governance Rules) may otherwise have with respect thereto, the Placing Shares and the Secondary Placing Shares have been subject to a product approval process, which has determined that such Placing Shares and the Secondary Placing Shares are: (i) compatible with an end target market of: (a) investors who meet the criteria of professional clients as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018; (b) eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (“**COBS**”); and (c) retail clients who do not meet the definition of professional client under (a) or eligible counterparty per (b); and (ii) eligible for distribution through all distribution channels as are permitted by Directive 2014/65/EU (the “**UK target market assessment**”). Notwithstanding the UK target market assessment, distributors should note that: the price of the Placing Shares and the Secondary Placing Shares may decline and investors could lose all or part of their investment; the Placing Shares and the Secondary Placing Shares offer no guaranteed income and no capital protection; and an investment in the Placing Shares and the Secondary Placing Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The UK target market assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the placing. Furthermore, it is noted that, notwithstanding the UK target market assessment, Canaccord Genuity will only procure investors who meet the criteria of professional clients and eligible counterparties. For the avoidance of doubt, the UK target market assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of COBS 9A and COBS 10A, respectively; or (b) a recommendation to any investor or group of investors to invest in, or purchase or take any other action whatsoever with respect to the Placing Shares and the Secondary Placing Shares. Each distributor is responsible for undertaking its own UK target market assessment in respect of the Placing Shares and the Secondary Placing Shares and determining appropriate distribution channels.

### **EU Product Governance Requirements**

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended (“**MiFID II**”); (B) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the “**MiFID II Product Governance Requirements**”), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any ‘manufacturer’ (for the purposes

of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Placing Shares and the Secondary Placing Shares have been subject to a product approval process, which has determined that such Placing Shares and the Secondary Placing Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the “**Target Market Assessment**”). Notwithstanding the Target Market Assessment, distributors should note that: the price of the Placing Shares and the Secondary Placing Shares may decline and investors could lose all or part of their investment; the Placing Shares and the Secondary Placing Shares offer no guaranteed income and no capital protection; and an investment in the Placing Shares and the Secondary Placing Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Placing. Furthermore, it is noted that, notwithstanding the Target Market Assessment, Canaccord Genuity will only procure investors who meet the criteria of professional clients and eligible counterparties. For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase or take any other action whatsoever with respect to the Placing Shares and the Secondary Placing Shares. Each distributor is responsible for undertaking its own target market assessment in respect of the Placing Shares and the Secondary Placing Shares and determining appropriate distribution channels.

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## KEY STATISTICS

### Existing share capital immediately prior to Admission

Number of Existing Ordinary Shares	27,333,323
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### Placing Shares

Placing Price	150 pence
Number of Placing Shares	42,666,677
Gross proceeds from the Placing Shares	£64.0 million
Net proceeds from the Placing Shares (receivable by the Company)	£60.7 million

### Secondary Placing

Placing Price	150 pence
Number of Secondary Placing Shares	11,753,327
Gross proceeds from the Secondary Placing <sup>1</sup>	£17.6 million

### Upon Admission

Number of Ordinary Shares in issue at Admission	70,000,000
Percentage of Enlarged Ordinary Share Capital represented by the Placing Shares	61.0%
Percentage of Enlarged Ordinary Share Capital represented by the Secondary Placing Shares	16.8%
Estimated market capitalisation of the Company at Admission at the Placing Price	£105.0 million
TIDM	KITW
ISIN	GB00BNYKB709
SEDOL	BNYKB70
LEI	2138007DLCYPVY95UD40
Free Float	51.1 per cent.

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#### Notes

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

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	2021
Publication of this Document	7 May
Admission becomes effective and commencement of dealings in the Enlarged Ordinary Share Capital on AIM	24 May
Date of settlement and CREST accounts credited (where applicable)	24 May
Dispatch of definitive share certificates (where applicable) by	1 June

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### Notes:

1. References to time in this Document are to London (BST) time unless otherwise stated.
2. If any of the above times or dates should change, the revised times and/or dates will be notified to Shareholders by an announcement on an RIS.

## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors:</b>	<b>Stephen John Smith</b> ( <i>Independent Non-Executive Chairman</i> ) <b>Paul Victor Young</b> ( <i>Chief Executive Officer</i> ) <b>David Leonard Brind</b> ( <i>Chief Financial Officer</i> ) <b>Gerard Thomas Murray</b> ( <i>Independent Non-Executive Director</i> )  All of whose business addresses are at Unit S3, Tyne Tunnel Trading Estate, Narvik Way, North Shields NE29 7XJ
<b>Registered Office:</b>	<b>Kitwave Group plc</b> Unit S3 Tyne Tunnel Trading Estate Narvik Way North Shields NE29 7XJ
<b>Company Secretary:</b>	David Brind
<b>Company website:</b>	<a href="http://www.kitwave.co.uk">www.kitwave.co.uk</a>
<b>Nominated Adviser, Sole Bookrunner and Sole Broker:</b>	<b>Canaccord Genuity Limited</b> 88 Wood Street London EC2V 7QR
<b>Auditors and Reporting Accountants:</b>	<b>KPMG LLP</b> Quayside House 110 Quayside Newcastle upon Tyne NE1 3DX  1 Sovereign Square Sovereign Street Leeds LS1 4DA
<b>Solicitors to the Company:</b>	<b>Muckle LLP</b> Time Central 32 Gallowgate Newcastle upon Tyne NE1 4BF
<b>Solicitors to Canaccord Genuity:</b>	<b>Howard Kennedy LLP</b> No. 1 London Bridge London SE1 9BG
<b>Financial PR:</b>	<b>Yellow Jersey PR</b> Mappin House Oxford Street London W1W 8HF
<b>Company Registrars:</b>	<b>Link Group</b> 10th Floor Central Square 29 Wellington Street Leeds LS1 4DL
<b>Principal Bankers:</b>	<b>Barclays Bank PLC</b> Barclays House 5 St Ann's Street Newcastle Upon Tyne NE1 3DX

## DEFINITIONS

The following definitions apply throughout this Document, unless the context requires otherwise or unless defined in Part III or Part IV of this Document, for the purposes of that part only:

“Act”	the Companies Act 2006 (as amended)
“Adjusted EBITDA (Pre IFRS-16)”	Earnings before interest, tax, depreciation and amortisation to exclude restructuring and acquisition related expenses, on a pre IFRS-16 basis (reflecting property rent and vehicle leases)
“Adjusted EBITDA”	Earnings before interest, tax, depreciation and amortisation to exclude restructuring and acquisition related expenses, on a post IFRS-16 basis
“Admission”	admission of the Enlarged Ordinary Share Capital to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules
“AGM”	Annual General Meeting
“AIM”	the market of that name operated by the London Stock Exchange
“AIM Rules”	the AIM Rules for Companies published by the London Stock Exchange from time to time (including, without limitation, any guidance notes or statements of practice) which govern the rules and responsibilities of companies whose shares are admitted to trading on AIM
“AIM Rules for Nominated Advisers”	the rules setting out the eligibility, ongoing obligations and certain disciplinary matters in relation to nominated advisers, as published by the London Stock Exchange from time to time
“Allstate”	together the Allstate Insurance Company and the Allstate Life Insurance Company
“Articles”	the articles of association of the Company, as at the date of Admission, a summary of which is set out in paragraph 5 of Part VI of this Document
“Audit Committee”	the audit committee of the Board, as constituted from time to time
“Automatic Retailing”	a subsidiary within the Group, which predominantly delivers to vending machine operators
“Barclays”	Barclays Bank PLC, a public limited company incorporated with a registered number of 01026127 and whose registered office is at 1 Churchill Place, London E14 5HP
“Board”	the board of directors of the Company as at the date of this Document whose names are set out in paragraph 9.1 in Part VI of this Document and/or the board of directors of the Company from time to time (as the context so requires), or a duly constituted committee thereof
“Canaccord Genuity”	Canaccord Genuity Limited, a company incorporated in England and Wales with a registered number of 01774003 and registered office at 88 Wood Street, London, EC2V 7QR
“CAGR”	compound annual growth rate
“certificated” or “in certificated form”	recorded on the relevant register of Ordinary Shares as being as being held in certificated form in physical paper (that is not in CREST)
“Company” or “Kitwave”	Kitwave Group plc, a public limited company incorporated in England & Wales with registered number 09892174 and registered office at Unit S3 Tyne Tunnel Trading Estate, Narvik Way, North Shields, NE29 7XJ

“CREST”	the computer-based system and procedures which enable title to securities to be evidenced and transferred without a written instrument, administered by Euroclear UK & Ireland in accordance with the CREST Regulations
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755) as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018, including (i) any enactment or subordinate legislation which amends those regulations; and (ii) any applicable rules made under those regulations or such enactment or subordinate legislation for the time being in force
“Dealing Day”	a day on which the London Stock Exchange is open for the transaction of business
“Document”	this admission document dated 7 May 2021
“Directors”	the directors of the Company as at the date of this Document, whose details are set out on page 11 of this Document
“DVSA”	Driver and Vehicle Standards Agency
“EBITDA”	Earnings before interest, tax, depreciation and amortisation
“Enlarged Ordinary Share Capital”	the Ordinary Shares in issue immediately following the Placing and Admission, comprising the Existing Ordinary Shares and the Placing Shares
“EU”	European Union
“Euroclear UK & Ireland”	Euroclear UK & Ireland Limited, a company incorporated under the laws of England and Wales with registered number 2878738 and the operator of CREST
“Existing Ordinary Shares”	the 27,333,323 Ordinary Shares in issue immediately prior to Admission (which include the Secondary Placing Shares)
“FCA”	the Financial Conduct Authority
“Financial Promotion Order”	Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended)
“FP20”	the financial period consisting of the 18 months ended 31 October 2020
“FSMA”	the Financial Services and Markets Act 2000 (as amended)
“FY18”	the financial year ended 30 April 2018
“FY19”	the financial year ended 30 April 2019
“FY21”	the financial year ending 31 October 2021
“Group”	the Company and its subsidiary undertakings
“Growth Shares”	the A Ordinary Shares in Kitwave Limited, a subsidiary undertaking of the Company, carrying the rights set out in the articles of association of Kitwave Limited.
“HMRC”	HM Revenue and Customs
“IGD”	Institute of Grocery Distribution
“Investors”	together Allstate and Pricoa
“IPO”	the Initial Public Offering of the Group
“ITEPA”	Income Tax (Earnings and Pensions) Act 2003
“Last Practicable Date”	6 May 2021
“LIBOR”	London Inter-bank Offered Rate

“Listing Rules”	the listing rules made by the FCA under Part VI of FSMA, as amended from time to time
“London Stock Exchange”	London Stock Exchange plc
“Market Abuse Regulation” or “MAR”	the Market Abuse Regulation (2014/596/EU), as adopted in the United Kingdom and amended by the European Union (Withdrawal) Act 2018 and Market Abuse (Amendment) (EU Exit) Regulations 2019
“Nominated Adviser, Sole Bookrunner and Sole Broker”	Canaccord Genuity
“Nomination Committee”	the nomination committee of the Board, as constituted from time to time
“Official List”	the official list maintained by the FCA
“Ordinary Shares”	the ordinary shares of £0.01 each in the capital of the Company
“pa”	per annum
“Panel”	the Panel on Takeovers and Mergers
“Placees”	the subscribers for Placing Shares and purchasers of Secondary Placing Shares pursuant to the Placing
“Placing”	the conditional placing of the Placing Shares and the Secondary Placing Shares by Canaccord Genuity as agent for the Company and the Selling Shareholders, pursuant to the Placing Agreement
“Placing Agreement”	the placing agreement dated 6 May 2021 between the Company, the Directors, Canaccord Genuity and the Selling Shareholders relating to the Placing and the Secondary Placing
“Placing Price”	150 pence per Placing Share and Secondary Placing Share
“Placing Shares”	the 42,666,677 new Ordinary Shares to be issued and allotted pursuant to the Placing, such allotment being conditional upon Admission
“Pre-Admission Reorganisation”	the corporate reorganisation of the Group undertaken in connection with Admission and the Placing, material details of which are set out in paragraph 3 of Part VI
“Pricoa”	together The Prudential Insurance Company of America and Prudential Legacy Insurance Company of New Jersey
“Proposals”	the Placing, the Secondary Placing and Admission
“Prospectus Directive”	EU Prospectus Directive 2003/71/EC, as amended
“Prospectus Regulation”	Regulation (EU) 2017/1129 or, in relation to persons in the United Kingdom only, Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018
“Prospectus Rules”	the Prospectus Rules made by the FCA under Part VI of FSMA, as amended from time to time
“QCA”	the Quoted Companies Alliance
“QCA Code”	The QCA Corporate Governance Code 2019 (as amended from time to time) published by the QCA
“Registrars”	the Company's registrars, being Link Group
“Remuneration Committee”	the remuneration committee of the Board, as constituted from time to time



“Restricted Jurisdiction”	each of the United States of America, Canada, Australia, the Republic of South Africa, Japan or any other jurisdiction outside of the United Kingdom where the offer, sale, delivery or transfer of Ordinary Shares would constitute a breach of any local securities laws or regulations
“RIS”	Regulatory Information Service
“Secondary Placing”	the conditional placing of the Secondary Placing Shares by Canaccord Genuity as agents for the Selling Shareholders, pursuant to the Placing Agreement
“Secondary Placing Shares”	the 11,753,327 Existing Ordinary Shares to be conditionally placed pursuant to the Secondary Placing
“Selling Shareholders”	those shareholders, including the Investors, set out in paragraph 20 of Part VI of this Document.
“Shareholder(s)”	the holder(s) of Ordinary Shares
“SID”	the Senior Independent Non-Executive Director
“SKU”	Stock Keeping Unit
“sq. ft”	square feet
“Takeover Code”	the City Code on Takeovers and Mergers
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“uncertificated” or “uncertificated form”	recorded on the relevant register of the Ordinary Shares as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“US”	the United States of America and all of its territories and possessions
“US Securities Act”	the United States Securities Act of 1933 (as amended)
“VAT”	value added tax
“Working Capital Facilities”	an amended and restated receivables finance facility between Barclays, the Company and other Group companies to become effective on Admission and a continuing bonds, guarantees and indemnities facility and a trade cycle loan facility, further details of which are set out in paragraph 3.8 of Part I.
“Working Time Directive”	the Working Time Directive (93/104/EC)
“£” or “Sterling”	British pounds sterling

## EXECUTIVE SUMMARY

The following information is derived from, and should be read in conjunction with, the whole of this Document including, in particular, the section headed Risk Factors relating to the Company in Part II of this Document. Shareholders should read the whole of this Document and not rely on this Executive Summary section.

### 1. INFORMATION ON KITWAVE AND THE GROUP

The Group is an independent, delivered wholesale business with approximately 1,100 employees and a network of 26 depots able to support delivery throughout the UK, specialising in selling impulse products (such as confectionery, soft drinks, snacks, ice cream), frozen and chilled foods, alcohol, groceries and tobacco to approximately 38,000, mainly independent, customers. Currently, the Group sells a broad portfolio of approximately 33,000 Ambient, Frozen & Chilled and Foodservice product Stock Keeping Units (SKUs).

The diverse customer base includes independent convenience retailers, leisure outlets, vending machine operators, foodservice providers and other wholesalers, as well as leading national retailers.

The Group was founded in 1987, following the acquisition of a single-site confectionery wholesale business based in North Shields, Tyne and Wear, United Kingdom. The management team, led by Paul Young, has overseen significant growth in both revenue and operating profit with revenue and Adjusted EBITDA growing to £592.0 million and £27.6 million respectively in FP20 (an 18 month period). In the 12 months to 30 April 2020, the Group's revenue and Adjusted EBITDA was £399.0 million and £17.5 million respectively. This growth has been achieved both organically and through a strategy of acquiring smaller, predominantly family owned, complementary businesses in the fragmented UK Grocery and Foodservice Wholesale market. During the periods from FY18 to FP20, the Group achieved a revenue CAGR of approximately 6.0 per cent. and an Adjusted EBITDA (Pre IFRS-16) CAGR of approximately 4.4 per cent.

### 2. KEY STRENGTHS

The Directors believe that the Group has a number of key strengths that are important to the success of the business. They are:

- **A large addressable market estimated to be worth approximately £26.1 billion in 2020**

In 2020, the UK Grocery and Foodservice Wholesaling market was estimated to be worth over approximately £28.0 billion (down from £28.6 billion in 2019) and is expected to grow to be worth approximately £32.6 billion by 2025, with the end markets in which the Group operates (being UK Retail & Convenience and UK Foodservice) representing the largest components of the UK market, with a total estimated value of approximately £26.1 billion in 2020 (down from £26.9 billion in 2019) (Source: IGD 2021 report). The UK Grocery and Foodservice Wholesaling market is forecast to grow at a CAGR of approximately 2.2 per cent. between 2019 (pre COVID-19) to 2025, with the Retail Customer segment expected to achieve a CAGR of 2.7 per cent. and the Catering and Foodservice segments expected to achieve a 0.8 per cent. CAGR during the same period.

- **An established Group, with a track record of executing and integrating acquisitions to drive growth**

Since 2011, the Group has acquired 10 wholesale distributors, which has driven a rapid scaling of the business, providing the Group with competitive scale advantages within its key product categories, in addition to establishing a robust nationwide delivery network.

- **Expansive customer base, with low customer concentration**

Facilitated by both organic and acquisitive growth, the Group has built a diverse network of approximately 38,000, mainly independent, customers across its 10 operating businesses. As a result, the Group has created minimal customer concentration, with its top 20 customers accounting for approximately 25 per cent. of FP20 Group revenue. There remains significant opportunities for the Group to further cross-sell and up-sell across its diverse customer base.

- A trusted brand ambassador, supplying a broad portfolio of branded and own brand products**

The Group stocks approximately 33,000 different SKUs which are supplied from over 300 different suppliers across the Group's three divisions, providing the Group's customer base with expansive choice and limited single supplier reliance by the Group. Kitwave also has established strong brand relationships through its +30 year history, giving it a competitive position to negotiate better annual terms and rebates with key suppliers, whilst being viewed as a trusted brand ambassador and key partner for important brand owners such as Unilever, Molson Coors Brewing and Walkers Snacks.
- Extensive UK wide geographic coverage in key regions, with high customer service levels**

The Group has established and operates from six main hubs within the United Kingdom, with a further 20 operating depots and approximately 400 delivery vehicles, allowing the Group to cover a large geographic area with next day delivery and the potential for international delivery capabilities. As a result of this scale, the Group has historically achieved high customer satisfaction and service levels.
- Well placed to capitalise on future in organic growth opportunities, within a highly fragmented market**

There remains a significant pipeline of opportunities for Kitwave to continue its strategy of acquiring and integrating smaller regional players to increase its market share within higher margin sectors and drive further value enhancement for Shareholders.
- Multi-drop, low minimum order business model with next-day capability**

Kitwave focuses on smaller, independent retailers and foodservice providers which are typically more difficult to service than larger regional and national accounts. The Group has developed a strong delivery network, systems and pricing model to provide its customers with order fulfilment and next-day deliveries at minimum order values from as low as £100, enabling the Group to capture a market that is not readily serviced by the large UK delivered wholesalers.
- Providing its customer base with supplementary value-add services**

The Group uses its knowledge and expertise to provide its customers with supplementary value add specialist merchandising and range advice to support the growth of its underlying customer base, which in turn will drive future organic sales.
- Highly cash generative business model, with a disciplined approach to managing creditor and debtor days**

The Group's strong cash generative business model provides it with the capital to support its buy-and-build strategy whilst paying a dividend for investors. The Group also operates a disciplined approach to managing its creditor and debtor payment days, supported by its working capital facilities, ensuring the Group remains in a strong working capital position throughout the year.
- Year-on-year earnings growth and margin improvements**

The Group has seen a 9.1 per cent. CAGR increase in its gross profit from FY18 to FP20, delivering an Adjusted EBITDA (Pre IFRS-16) CAGR of over 4.4 per cent. over the same period. This has been driven by the expansion into higher margin areas such as Frozen & Chilled and Foodservice, resulting in a 1.3 per cent increase in gross profit margin to 18.1 per cent.
- Strong balance sheet, progressive dividend policy and attractive yield**

The Group will come to market with low and prudent levels of gearing. Furthermore, the Group proposes to implement a progressive dividend policy and intends to base its dividend policy for the financial period on a dividend yield of 4.5 per cent. based on the market capitalisation of the Company as at Admission.

- **Highly experienced and ambitious Board and operational management team**

The Board has significant experience and is supported by an operational management team that, together, has a combined experience in excess of over 100 years of industry knowledge and expertise. Furthermore, the Board and operational management team have set a target of doubling Adjusted EBITDA (Pre IFRS-16) in the coming years.

### **3. REASONS FOR ADMISSION TO AIM**

The Directors believe that admission to AIM will provide an increased profile for the Group and its brands, a strengthened balance sheet that will see the Group's net leverage reduce to approximately one times Adjusted EBITDA (Pre IFRS-16) at IPO, in addition to lowering the Group's related interest expenses, support the Group's buy-and-build strategy, enhance the Group's position with key suppliers as a listed business and provide the Group with greater ability to incentivise and retain key employees going forward.

### **4. THE PLACING**

Kitwave and its Selling Shareholders propose to raise total gross proceeds of £81.6 million by way of an IPO of the Company's Ordinary Shares on AIM of the London Stock Exchange.

The Group will raise gross proceeds of approximately £64.0 million by way of the Placing Shares, which will be used to:

- repay approximately £60.7 million of the Group's £76.0 million existing debt facilities (estimated amount to be drawn shortly before Admission), consisting of repaying £15.1 million of the Group's existing senior bank term loan facilities (£15.1 million as the estimated amount to be drawn shortly before Admission), all £35.9 million of the Group's existing mezzanine and subordinated unsecured loan facilities from the Investors (estimated amount to be drawn shortly before Admission) and reduce the drawn amount under the Group's existing working capital facilities by £9.7 million to approximately £8.3 million. The result of this will be a significant reduction in the Group's debt position. As noted in paragraphs 3.8 of Part I and 13.6 of Part VI, the Group drew approximately £5.5 million via the British Business Bank's Coronavirus Large Business Interruption Loan Scheme (CLBILS), ahead of the scheme being withdrawn at the end of March 2021. It is the Group's intention to repay this loan in full, at or shortly after Admission with the cash that was originally drawn under this facility which is currently held in a segregated bank account. This loan does not form part of the existing debt facilities referred to above.
- fund approximately £3.3 million in transaction related expenses.

The Selling Shareholders will raise gross proceeds of approximately £17.6 million via the Secondary Placing, which will:

- provide gross proceeds of £9.8 million which will facilitate a full exit for the Investors' interest in the Group;
- provide gross proceeds of £7.8 million providing a liquidity event for certain Directors and members of the senior management of the Group. The Group's Directors and senior management team will remain significantly invested in the Group following Admission, with each retaining between 52.8 per cent. and 79.5 per cent. of their existing stakes which equate, in aggregate, to approximately 75.0 per cent. of their interest in the Ordinary Existing Shares; and
- The Selling Shareholders will retain an interest of 22.3 per cent. of the Enlarged Ordinary Share Capital at Admission;

Further details of the Placing is set out in paragraph 10 of Part I of this Document.

### **5. DIRECTORS**

On Admission, the members of the Board and their positions will be:

**Stephen (“Steve”) Smith (*Independent Non-Executive Chairman, aged 63*)**

Steve joined the Group as a Non-Executive Chairman following the investment by Pricoa Capital Group in 2016. He retired as CEO of Northgate plc in 2010, after a career of over 20 years. Steve now serves as a Non-Executive Director on two other Boards: Ramsdens Holdings Plc and Procomm Site Services Limited (Chairman). He is a chartered accountant and holds a degree in Economics from the London School of Economics. Steve is chairman of the Nomination Committee. Steve’s appointment to the Board shall be conditional on and takes effect on Admission.

**Paul Young (*Chief Executive Officer, aged 63*)**

Paul co-founded the Group in 1987, initially as a single North East based cash and carry. During his 30 year tenure as Chief Executive, and majority shareholder, Paul has grown the business into a national delivered wholesale business with revenue over £590 million in FP20. Paul is a qualified Cost and Management Accountant (ACMA).

**David Brind (*Chief Financial Officer, aged 48*)**

David joined as Group Finance Director in 2011, following NVM Private Equity LLP’s investment. He had a close relationship with the Group over a number of years up to the time of joining through his role at Barclays. Prior to his position with Barclays, David worked at Ward Hadaway as a Corporate Finance Director and, before this, Ernst & Young as Assistant Director in Corporate Finance. David moved to Ernst and Young shortly after qualifying as a chartered accountant and is a Fellow of the Institute of Chartered Accountants in England and Wales. He obtained a degree in Business Studies at the University of Hull.

**Gerard Murray (*Independent Non-Executive Director, aged 57*)**

Gerard is currently the CFO of Tharsus Group and director of Newrona Limited. Prior to this he has been either a Group Finance Director or Chief Financial Officer with Reg Vardy plc, Northgate plc, The Vardy Group of Companies, Immunodiagnostic Systems Holdings plc, Benfield Motor Group, Ardent Hire Solutions, Quantum Pharma plc and most recently Fairstone Holdings. Gerard has experience of initial public offerings and ongoing listed company operations, treasury activities, and been involved in over 100 corporate finance transactions of varying complexity and size. He is a Fellow of the Institute of Chartered Accountants in England and Wales, having qualified as a chartered accountant with Arthur Andersen, and holds a degree in Economics from the University of Leicester.

Gerard will be the chairman of the Audit Committee and chairman of the Remuneration Committee.

Gerard’s appointment to the Board shall be conditional on and takes effect on Admission.

## **6. DIVIDEND POLICY**

It is the Directors’ intention to implement a progressive dividend policy from FY21 onwards, subject to the discretion of the Board and to the actual financial results of the Company.

It is the Directors’ intention to pay both an interim dividend and a final dividend in respect of FY21 which, in total, is expected to equate to a 4.5 per cent. dividend yield, calculated on the Placing Price. While the financial performance of the Group in FY21 has been impacted by COVID-19 and finance expenses incurred ahead of the flotation, the Directors believe this dividend payment reflects the strong underlying cash performance of the business and Kitwave’s prospects as a public company moving forward.

Post FY21, the Board intends to base its dividend policy on Group’s post-tax profits per annum. The Board will target a dividend payout ratio to Shareholders of between 40 per cent. and 50 per cent. of the Group’s post-tax profits per annum. The Directors believe that this represents an attractive, sustainable and progressive dividend policy, having regard to the anticipated amount of the Group’s distributable profits and funds required to finance future growth.

The Group proposes to pay both interim and final dividends for each financial year, split as to approximately one third for the interim payment and two thirds for the final payment.

## **7. RISK FACTORS**

Prospective investors should note the risks associated with an investment in the Group as set out in Part II of this Document.



**PART I**

**INFORMATION ON THE GROUP**

**Kitwave Group plc**

**1. INTRODUCTION**

The Group is an independent, delivered wholesale business with approximately 1,100 employees a network of 26 depots able to support delivery throughout the UK, specialising in selling impulse products (such as confectionery, soft drinks, snacks, ice cream), frozen and chilled foods, alcohol, groceries and tobacco to approximately 38,000, mainly independent, customers. Currently the Group sells a broad portfolio of approximately 33,000 Ambient, Frozen & Chilled and Foodservice product SKUs.

The diverse customer base includes independent convenience retailers, leisure outlets, vending machine operators, foodservice providers, and other wholesalers, as well as leading national retailers.

As a leading delivered wholesale provider to the independent trade, the Directors believe the Group is well-positioned within the UK market to supply demand from small independent convenience stores, national discounters and retailers, independent foodservice and on-trade customers. Kitwave's ability to provide low-value drops with minimum orders values from as low as £100, enables the Group to capture a market that is not readily serviced by the large UK delivered wholesalers. The market in which Kitwave operates was estimated to be worth approximately £26.1 billion in 2020 (£26.9 billion in 2019) (Source: IGD 2021 report). The Group has grown its share of the market through a series of acquisitions, expanding both geographically and into Frozen & Chilled and Foodservices products, supplementing its original Ambient business.

In the 18 months ended 31 October 2020, the Group generated revenue of £592.0 million, representing a 6.0 per cent. FY18 to FP20 CAGR. This resulted in a gross profit of £107.2 million and an Adjusted EBITDA of £27.6 million (FP20 being an 18 month period). The Adjusted EBITDA (Pre IFRS-16) growth from £12.4 million in FY18 to £20.7 million in FP20, can be largely attributed to the revenue growth and a proactive shift in the product mix towards higher margin products in the Frozen & Chilled and Foodservice divisions.

The Directors believe the IPO will provide the Group with a source of capital to de-leverage its balance sheet and reduce its interest expenses which will support the Group's buy-and-build strategy, further raise the profile of the Group, incentivise wider management to deliver shareholder returns and allow the Group to execute its strategy through an ability to make longer term investment decisions. The Secondary Placing will also provide a full exit for the Investors as well as a partial exit for certain other Shareholders, whilst management will continue to retain a material shareholding in the Group post IPO.

The Placing will result in the issue of 42,666,677 Placing Shares, raising gross proceeds of approximately £64.0 million, which will be used to reduce the Group's existing debt and to pay the Group's expenses in connection with the Placing. The Selling Shareholders propose to sell 11,753,327 Secondary Placing Shares under the Secondary Placing. In total, £17.6 million in gross proceeds will be raised by the Company and the Selling Shareholders via the Group's IPO. Further details of the Placing is set out in paragraph 10 of this Part I.

**2. HISTORY**

The Group was co-founded by Paul Young in 1987 as a single-site confectionery wholesale business and grew both organically and through a number of acquisitions, reaching annual revenues of approximately £86 million by 2009.

In 2011, additional financing was secured through an investment by NVM Private Equity LLP to support the Group's buy-and-build growth strategy. In the same year, the Board was strengthened with the appointment of David Brind as Chief Financial Officer. Between 2011 and 2015 the Group accelerated its growth strategy and completed six acquisitions of businesses that had revenues of between £10 million to £55 million. These acquisitions significantly enhanced the Group's overall scale, distribution network, customer base and product offering in addition to facilitating an entry into

the higher margin Frozen & Chilled and Foodservice divisions, with Group revenues reaching approximately £228 million in the 12 months to 30 April 2015.

In 2016, the Group completed a refinancing of its facilities and received an investment from the Investors which facilitated an exit for NVM Private Equity LLP. On 1 March 2016, the entire share capital of Kitwave One Limited was acquired by a newco structure including Kitwave Investments Limited and the Company. This refinancing enabled the Group to continue its strategy of growth, with funds of £25.5 million being raised from Pricoa and co-investment partner Allstate, resulting in the current ownership structure of the Group, with Paul Young and the Investors holding a significant equity interest in Kitwave. The refinancing also positioned the Group to complete two further acquisitions in 2016, which consisted of H.B. Clark Holdings Limited and Phoenix Fine Foods Limited, which further enhanced the Group's product offering and geographical reach, whilst the former added to the Group's expanding Foodservices division.

In August 2019, the Group acquired the first of two additional businesses consisting of a 75 per cent. ownership of Central Supplies (Brierley Hill) Ltd, which created a new chilled offering to sit alongside the Group's existing Frozen and Chilled operations. This was shortly followed by the acquisition of a 100 per cent. ownership in Alpine Fine Foods Limited in October 2019, which further supplemented the Group's existing Foodservice division, whilst also expanding the Group's distribution capabilities, product offering. In February 2020, Alpine Fine Foods Limited was hived up and consolidated into David Miller Frozen Foods Limited, resulting in the Group having 10 trading operations.

Further details of the Group's acquisition history are set out in paragraph 5.3 of this Part I.

### 3. BUSINESS OVERVIEW

The Group has three main operating divisions which in turn have a 10 trading operations, as set out below:

<b>Ambient division</b>	<b>Description</b>
Automatic Retailing (Northern) Limited	Distribution into vending customers
M. & M. Value Limited	Delivered distribution into independents
Squirrels UK Limited	Distribution of imported and branded goods into retail and independents
Teatime Tasties Limited	Confectionery, cakes and drinks into independent customers
Turner & Wrights Limited	Delivered distribution into independents
Westone Wholesale Limited	Bulk distribution to wholesalers
<b>Frozen &amp; Chilled division</b>	
Eden Farm Limited	Nationwide frozen food and ice cream wholesale and distribution
Central Supplies (Brierley Hill) Ltd	Nationwide chilled product wholesale and distribution
<b>Foodservice division</b>	
H.B. Clark & Co. (Successors) Limited	Supplier of alcohol, soft drinks and add ons to Foodservice customers
David Miller Frozen Foods Limited	Supply of ambient, frozen and other products into the Foodservice sector

*Note: In February 2020, Alpine Fine Foods Limited was hived up and consolidated into David Miller Frozen Foods Limited.*

The diverse customer base includes independent convenience retailers, leisure outlets, vending machine operators, foodservice providers and other wholesalers, as well as leading national retailers.

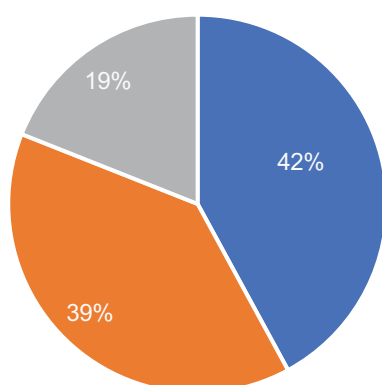
Since 2011, the Group has successfully expanded its product offering into higher-margin segments of its markets through the selective acquisition of complementary businesses with clear synergistic benefits to the wider Group.

### 3.1 Product range

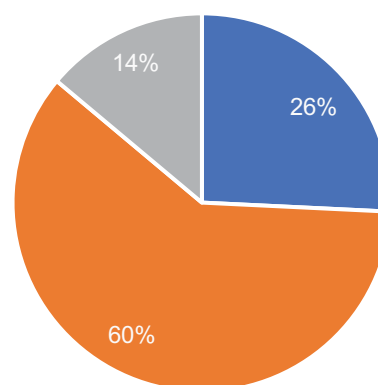
The Group has a diversified product range of approximately 33,000 SKUs, across a wide range of ambient and frozen & chilled food and drink products, alcoholic drinks and tobacco. The product range includes branded lines mainly from the leading suppliers in each of its categories. The current product range also includes a small range of own-brand products (manufactured by third parties for the Group), which contributed turnover of £11.6 million in FP20.

The below analysis shows the split of Group revenue and Adjusted EBITDA (as a percentage of total for FP20) between the Group's Ambient, Frozen & Chilled and Foodservice divisions:

**Group revenue by division (FP20)**



**Group Adjusted EBITDA by division (FP20)**



■ Ambient ■ Frozen & Chilled ■ Foodservice

*Note: The Group Adjusted EBITDA by division chart excludes HQ costs which represents a negative £2.5 million contribution, which has not been allocated to any divisions.*

*Note: The Foodservice division has seen the biggest impact on revenue and Adjusted EBITDA from COVID-19. In FP20, the Foodservice division generated revenue of £112.4 million and Adjusted EBITDA £4.0 million and in FY19 generated revenue of £92.2 million and Adjusted EBITDA of £3.7 million.*

### 3.2 Divisional overview

Kitwave operates across three divisions, each operating with a different product focus and route to market. The Directors proactively diversified into the Frozen & Chilled and Foodservice divisions through the acquisitions of Eden Farm Limited in 2014 and H.B. Clark Holdings Limited in 2016.

Further information on each of the operating divisions is outlined below.

#### 3.2.1 Ambient division

The Ambient division was originally formed by Paul Young in 1987, as a cash and carry business based in Newcastle upon Tyne, United Kingdom. The business has since grown significantly through acquisition led growth, with four acquisitions made since 2011 which includes the acquisitions of Andersons Wholesale, Automatic Retailing (Northern) Limited, Teatime Tasties Limited and Squirrels UK Limited. These acquisitions have helped achieve an acceleration in the scaling the Group's revenues, profits, distribution network and product offering.

In the 18 months to 31 October 2020, the Ambient division is the Group's largest division in terms of revenue, generating £249.1 million in revenue and representing 42.1 per cent. of total FP20 Group revenue. However, the Ambient division generates the Group's lowest Adjusted EBITDA

margin at 2.9 per cent. in FP20 (with Adjusted EBITDA being £7.3 million), due to lower margin tobacco sales, a high proportion of sales into the vending channel and low margin high value one-off sales into bulk wholesale. The Directors have taken deliberate action to reduce sales of tobacco, due to its lower margin and a customer demographic shift away from using tobacco products. The Ambient division has a full range of branded products, supplemented by the Group's own branded products (i.e. Thurstons), which includes products such as confectionery, soft drinks, crisps and tobacco. The Group operates six entities within the Ambient division, which operates out of six depots, which are primarily located in Yorkshire, the North East, North West and Luton, providing national distribution coverage. The Group primarily sells its Ambient products via four key distribution channels being: Vending (representing approximately 37 per cent. of FP20 Ambient revenue), Convenience (representing approximately 32 per cent. of FP20 Ambient revenue), Wholesale (representing approximately 12 per cent. of FP20 Ambient revenue) and Nationals, Foodservice and Other (approximately 19 per cent. of FP20 Ambient revenue).

In 2020, the COVID-19 pandemic lockdown particularly affected the Ambient division's Vending business. The Retail channel experienced some upside from March 2020, which was concentrated towards Alcohol sales, which didn't have a major impact on the Group. In early 2021, the returning of COVID-19 related lockdown restrictions continued to affect performance of the Vending business. During the last 12 months to 31 October 2020, the division has focused on certain workstreams that will enable further growth opportunities to be considered in FY21 and beyond, with expectation that volumes will return to more normalised levels, as the COVID-19 lockdown restrictions ease.

### **3.2.2 Frozen & Chilled division**

The Frozen & Chilled division was formed through the acquisition of frozen food specialist Eden Farm Limited in 2014, followed by the subsequent acquisitions of Angelbell Limited (Hulleys) and Phoenix Fine Foods Limited in 2016. The Directors took the decision to enter into this new higher margin fresh and frozen food vertical, identifying an opportunity for Kitwave to expand its product and service offering to its existing customer base whilst acquiring a new set of customers. Post the FY19 period end, the Group further strengthened this offering by the acquisition of Central Supplies (Brierley Hill) Ltd in August 2019.

The Frozen & Chilled division is the Group's second largest division in terms of revenue, generating £230.5 million in revenue and representing 38.9 per cent. of total FP20 Group revenue. The Frozen & Chilled division generated an Adjusted EBITDA of £17.2 million in FP20, and generated the Group's highest Adjusted EBITDA margin at 7.4 per cent., which was achieved due to the relatively high barriers to entry through the set up of suitable depots and vehicles and the Group's specialist logistics and distribution.

Today, the Frozen & Chilled division operates out of ten depots, with two hubs based in Luton and Peterlee, with the remainder providing access to the rest of the United Kingdom. The Frozen & Chilled division has a full range of branded products supplemented by higher margin own brand products such as Farmer Jacks (Eden Farm Limited). The Group distributes these products primarily into Chilled Wholesalers (representing approximately 31 per cent. of FP20 Group revenue), Independent Retailers (representing approximately 20 per cent. of FP20 revenue), Cash & Carry (representing approximately 15 per cent. of FP20 revenue), Wholesale (representing approximately 7 per cent. of FP20 revenue), Buying Group, Foodservice (DMFF) and Leisure (representing approximately 20 per cent. of FP20 revenue), Others (representing approximately 7 per cent. of FP20 revenue).

Between FY18 and FP20, the Group has grown its Frozen & Chilled revenue through a combination of acquisition led and organic growth, with the latter being driven by a growth in volumes by key customers and new customer wins, such as the contract to supply Ben & Jerry's frozen ice cream to Dominos Pizza restaurant franchises. The Frozen Food products includes the sale of frozen pizza, chips and ready meals, which has grown steadily as a result of volume increases and price rises. Impulse ice cream sales represent the sale of individually wrapped ice creams, which is highly seasonal and naturally focused around the warmer summer months. Other ice cream sales primarily relates to the sale of take home ice cream tubs produced by Unilever, with these sales tending to be less weather dependent and predominantly sold to independent and convenience stores. The sale of Catering related products relates to the sales of larger pack sized frozen & chilled products.

In addition, the Frozen & Chilled division has now successfully integrated the acquisition of Central Supplies (Brierley Hill) Ltd which was undertaken in 2019, and the division as a whole continues to trade well. The division did benefit from additional sales of core frozen product during the first COVID-19 related lockdown in 2020, however this replaced the Group's lower impulse ice cream sales due to the ongoing closure of many leisure sites during 2020. In 2021, the division continues to maintain its strong presence in the market and more opportunities, both through acquisitions and its customer base, are being presented as a result of the Group's strong nationwide infrastructure and capabilities.

### **3.2.3 Foodservice division**

In 2015, the Group acquired David Miller Frozen Foods Limited (as part of the acquisition of Angelbell Limited (Hulleys)), which established the Group's Foodservice division. This was shortly followed by the acquisition of H.B Clark Holdings Limited and the acquisition of Alpine Fine Foods Limited in October 2019, which further added to the Group's growing Foodservice offering.

The Foodservice division is involved in providing ambient, frozen & chilled, and grocery products, in addition to supporting the distribution of alcoholic beverages including beers, wines, spirits and soft drinks which are primarily sold into Clubs & Pubs (approximately 67 per cent. of FP20 Foodservice revenue), Restaurants & Cafes (representing approximately 12 per cent. of FP20 Foodservice revenue), Leisure & Fitness (representing approximately 8 per cent. of FP20 Foodservice revenue) Wholesale, Hotel and Others (representing approximately 13 per cent. of FP20 Foodservice revenue). In FP20, the Group generated total revenue of £113.0 million from the Foodservice division, achieving Adjusted EBITDA (Pre IFRS-16) of £2.7 million and an Adjusted EBITDA of £3.9 million and an Adjusted EBITDA margin of approximately 3.5 per cent. In addition to stocking third party products, the Group also supplies a higher margin own brand product range which includes Henry Boon Wine, Clark Crossing Wine and a range of soft drink syrups called InFAMous which are sold from the Group's H.B. Clark and Co (Successors) Limited entity at a gross margin of approximately 70 per cent.

Today, the Foodservice division operates 10 depots, with the main distribution centre based in Wakefield and located on the M62 corridor.

The Foodservice division traded strongly and was performing ahead of management expectations until the COVID-19 outbreak in 2020, which had a material effect on the division. The division responded well during the summer months in the UK as the COVID-19 related lockdown restrictions were eased and the influence of the national 'Eat Out to Help Out' scheme came through. With the UK COVID-19 lockdown restrictions returning from November 2020, this again had a material effect on the division, with limited sales of alcohol during what would normally be a busy Christmas period. The wider Foodservice business continues to trade well with its Care Home customer base. During 2020, management has taken this time to look at this division and has implemented plans to ensure it remains ready to respond as COVID-19 restrictions are expected to be eased during 2021.

### **3.3 Sales Channels**

The Group supplies its third-party branded products and own branded products via a range a distribution sales channels, which varies across each division and type of customer. A summary of each sales channel is noted below.

The customer base is analysed as type of customer as follows:

<b>Sales Channel</b>	<b>Approx. number of customers</b>	<b>% of FP20 revenue</b>	<b>Examples</b>
<b>Convenience and other Foodservice</b>	26,000 7,000	42.1 19.8	Independent convenience stores Bars, restaurants, schools, cafés, care homes
<b>Vending services</b>	1,000	16.0	Selecta, Montagu
<b>Re-wholesale</b>	1,000	13.0	Bestway, regional wholesalers
<b>Larger retail / discount chains</b>	3,000	9.1	Tesco, B&M, Dominos
<b>Total</b>	<b>38,000</b>	<b>100.0</b>	

*Source: Management information*

### **3.3.1 Convenience and other**

Independent retailers (e.g. convenient stores) represent the largest number of customers (approximately 26,000 in number or approximately 68.4 per cent. of the total customer base in FP20). This category represents only approximately 42.1 per cent. of total turnover in FP20 given lower average order values than other, larger customers. The Group sells most of its product range to independent retailers.

### **3.3.2 Foodservice**

The Foodservice channel consists of traditional Foodservice customers and On-Trade customers, which make up over 7,000 customers and represents approximately 19.8 per cent. of FP20 Group reserve.

#### **3.3.2.1 Foodservice**

In FP20, the Group had over 2,000 Foodservice customers who it supplied with a range of products including beverages, frozen produce (frozen chips, impulse ice cream), ambient products (grocery items, beans, coffee, gravy granules) and staple fresh and chilled supplies (cold meats, butter, cheese). These products are typically catering pack sizes. The Group also supplies key auxiliary products, such as cleaning products, consumables and tableware. Customers include a number of diverse leisure venues, as well as some schools and cafes.

#### **3.3.2.2 On-Trade**

On-Trade includes independent and smaller regional chains of bars, pubs, restaurants and various other leisure venues and in FP20, had approximately 5,000 customers in this channel. The Group supplies these locations with alcoholic and other beverages, as well as snacks and impulse products, such as crisps, nuts and chocolate bars. These customers represented approximately 13.2 per cent. of the customer base in FP20 and 14.3 per cent. of FP20 Group revenue.

### **3.3.3 Vending services**

The Directors believe that its Automatic Retailing (Northern) Limited business is one of few UK wholesalers with a focus on vending services. Customers include both large national vending companies as well as smaller vending machine operators. Products include soft drinks, confectionery and vending specific products (cups, milk, stirrers). Deliveries are made directly to the customer's depots. The Group is not involved in delivering to the actual locations of the vending machines or in the operation of vending machines.

### **3.3.4 Re-wholesale**

The Group wholesales to other wholesalers including both large cash and carry businesses, as well as smaller regional and independent wholesalers. The Group's significant buying power allows



better pricing from suppliers than many regional wholesalers. Kitwave's customer service model of on-demand product availability also provides the smaller wholesalers with access to next day order fulfilment.

The Directors believe that in recent years there has been a trend within a number of larger brand owners towards increased minimum drop values, which has limited the access of smaller wholesalers to certain branded lines.

### **3.3.5 Larger retailer / discount chain**

The Group provides an ongoing range of core SKUs to a range of customers across both ambient and frozen products, including, for example, the sale of impulse ice-creams. Ambient customers include well known high street discounters, whilst the Group provides frozen products to a number of recognised nationwide franchises.

## **3.4 Customer base**

The Group has a diverse base of approximately 38,000 customers, with no single customer representing more than approximately 7 per cent. of the Group's FP20 revenue. Kitwave's top 20 customers collectively represent approximately 25 per cent. of the Group's FP20 revenue, therefore demonstrating the business is not overly reliant on one or a small number of large customers.

In FP20, the Group's largest single customer was B&M European Value Retail, a UK focused variety retailer, which is served via the Group's Frozen & Chilled division and generated revenue for the Group of approximately £38.6 million in FP20, representing approximately 6.5 per cent. of FP20 Group revenue. Central Supplies (Brierley Hill) Ltd has a longstanding relationship of over 13 years with B&M European Value Retail, with the Group providing approximately 200 SKUs of chilled products such as Yoghurt, Cheese and Butter to over 400 B&M stores.

Bestway (Holdings) Limited was the Group's second largest customer within the Frozen & Chilled division in FP20, operating within the re-wholesaler channel. Bestway is one of the UK's largest independent food and drink wholesalers, accounting for 5.4 per cent. of FP20 Group revenue. The Group has, through Eden Farm operating in its Frozen & Chilled division, a longstanding relationship of over 10 years with Bestway and is the preferred partner for frozen products for all Best One stores. The Group's revenue from Bestway increased from £14.7 million in FY18 to £32.1 million in FP20, driven by supplier rationalisation by Bestway.

In FP20, the Group generated approximately 3.1 per cent. of Group revenue from Selecta Autobar, who primarily operates within the vending channel of the Group's Ambient division. Selecta Autobar has been a customer of the Group since 2011, with Kitwave previously supplying Pelican Rouge, which was acquired by Selecta in September 2017. The Group's revenues from this customer have remained relatively flat during the historical period due to Selecta Autobar's rationalisation of its existing vending machine estate and deliberate action taken by Selecta to remove or reduce non profitable contracts as well as a reduction as a result from COVID-19 restrictions. The Group's revenue from Selecta Autobar decreased from £29.8 million in FY18 to £18.4 million in FP20.

During FY19, the Group won a new customer contract to supply Ben and Jerrys frozen ice cream tubs into the UK Domino's Pizza restaurant estate. Sales commenced in August 2018 and since then, sales have continue to scale rapidly and in FP20, the Group generated £10.4 million in revenue from this customer, representing approximately 1.8 per cent. of FP20 Group revenue.

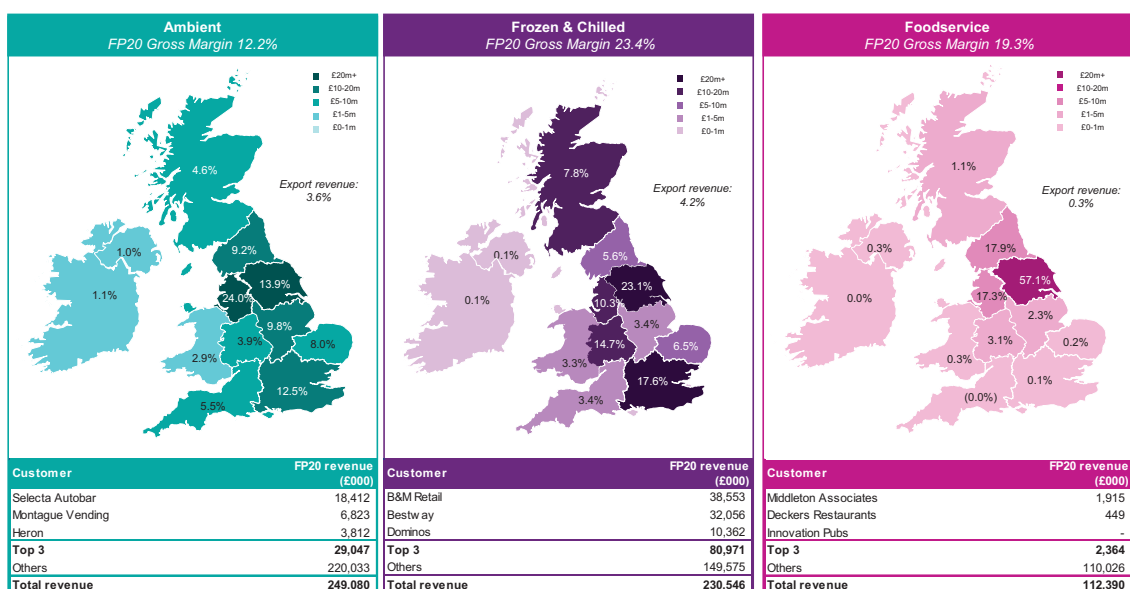
Montague Vending, an Irish owned business, which acquired a number of UK based vending businesses since 2017. Growth of its vending operations has led to both volume increases and growth in basket size for the Group. Purchasing volumes have also been supported by the customer moving all soft drink supply to Britvic, which is also a key supplier to the Group's Ambient division. Between FY18 and FP20, the Group's revenues from Montague Vending increased from £3.5 million to £6.8 million.

## **3.5 Revenue footprint and key geographies**

The Group has built a nationwide distribution revenue footprint, enabling it to serve a broad approximately 38,000 customer base with its diverse 33,000 SKU product selection, through its 26 depots. The Group operates a nationwide distribution coverage across its Ambient division, predominately focused around its vending and larger retailer / discount chain revenue channel

customers. The Group's Frozen & Chilled division also has a national distribution revenue footprint, with the London and South East being its largest region. The Group's Foodservice division, is however more regionally focused with H.B. Clark covering from the Midlands through to the Scottish Borders, whilst David Millers has greater focus in the North East of England and Yorkshire / Humberside. The charts below illustrate the percentage of FP20 revenue split by division and by region.

### Revenue footprint by division and geography (FP20)



Source: Management information

### 3.6 The Group's suppliers and purchasing

The Group has built and maintained longstanding direct relationships with many of the key third party own brand suppliers that are sold via its distribution network. Building these relationships is seen by the Group as being key to ensure the consistency of supply and availability, whilst also maintaining service levels to the Group's customers. The Director's believe part of the Group's continued success will be driven by Kitwave continuing to be a key intermediary that sits centrally within the supply chain, on one hand being a trusted partner for key brands, who can also access the Group's 198 sales force to help market their products whilst also being an important distributor for customers who are underserved by other national distributors.

In FP20, the Group sourced products from over 300 suppliers, including many of the major global branded food and drink manufacturers, which includes Unilever, Walkers Snacks, Coca Cola Enterprises, Molson Coors Brewing and Heineken UK. The Group's top 20 suppliers represented 52.1 per cent. of the Group purchases (by value) in FP20.

The Group is a recognised and valuable route into the UK market for major global food and drink manufacturers. The Group purchases products for its Ambient division for retailer customers through membership of the Unitas Wholesale buying group (which has annual buying-power in excess of £8 billion). The Frozen & Chilled and Foodservice divisions do not purchase through Unitas Wholesale but instead utilise the Group's own buying power to negotiate preferential terms. The Group also uses its size and ability to access the "difficult to reach" independent customers, to negotiate additional direct rebates from certain key suppliers. The impact of these on profits is only recognised as income when guaranteed or when cash is received.

The Group produces its own marketing brochures, which include the latest product offers and promotions. The Group receives ongoing or one-off marketing support payments from suppliers in return for advertising or prominent product positioning of such supplier's products within these brochures, as well as assisting brand owners to promote new product development, sharing market data and delivering marketing merchandise to the end consumers. In FP20, these marketing support payments amounted to additional revenue of approximately £1.5 million across the Group.

As well as sourcing direct from brand owners, the Group has the flexibility to source products via other wholesalers where they can secure more favourable prices. These opportunities arise when other wholesalers have excess stock, often acquired from larger retailers, which they resell to the Group at a small mark-up. The Group only takes advantage of such buying opportunities from trusted and reputable suppliers.

### 3.7 Operations

#### 3.7.1 Management structure

Head office includes certain central services that support the Group including Commercial and IT Infrastructure. In addition to the executive board of Paul Young and David Brind, the business operates an operating board comprising four members of the wider senior management team.

The Group is organised into three trading divisions, namely, the Frozen & Chilled, the Foodservice division and the Ambient division, each of which have their own divisional management teams. Ben Maxted is the Group's Operations Director who has specific responsibility for the Frozen & Chilled division, supported by John Hope as Head of Operations for the Ambient and Foodservice divisions. Both Ben and John are members of the operational board.

Each individual trading subsidiary in the Group within these divisions, has its own management, who report into the operational board.

#### 3.7.2 Distribution network

The Group currently has a network of 26 depots including six main stock holding depots and 20 satellite depots, able to support delivery of products to customers throughout the UK. Currently an average of approximately 3,640 daily orders are processed and delivered using multi-drop delivery vehicles.

Within the Group's network, nearly half of the approximately 640,000 sq. ft of floorspace is made up of six main depots located at Dunnington and Wakefield (Foodservice division), Peterlee, Luton and Brierley Hill (Frozen & Chilled division) and North Shields (Ambient division). The majority of the volume purchased stock arrives into these main depots and is then to be distributed to one of the satellite depots for onward delivery.



Source: Management information

#### 3.7.3. Operating locations

The Group occupies six main properties and approximately 20 secondary properties, which are located across the UK. All except one main property (being Brierley Hill in Cradley) and one secondary property are leasehold properties with the leases varying in relation to size, rent and term. The Directors consider that the six main primary properties are of significant operational importance to the Group.

### **3.7.3.1 Ambient division**

#### **North Shields (HQ) (Unit S3 Narvik Way, Tyne Tunnel Trading Estate North Shields)**

Located outside of Newcastle upon Tyne, near the A19, the North Shields facility is the Group's primary HQ and main depot for its Ambient and Vending business, in addition to serving as the main depot for the Group's regional focused M. & M. Value Limited business. Due to its large size of over 100,000 sq. ft, the Group is also able to use this depot as its main facility for receiving any large bulk orders which are broken down and redistributed across any of the Group's trading entities.

### **3.7.3.2 Frozen & Chilled division**

#### **Peterlee (1 Cook Way, North West Industrial Estate)**

Located outside of Durham, near the A19, this facility is one of two of the Group's primary locations for all picking and storage of goods for the Group's Frozen & Chilled division, which is then distributed throughout the Group's network of depots across the UK. The facility is approximately 65,000 sq. ft and is specially catered for dealing with Frozen & Chilled products.

#### **Luton (Unit 9, Butterfield Business Park, Luton, LU2 8DL)**

Located near Luton Airport and the M1, this is the Group's second primary location for all picking and storage of goods for the Group's Frozen & Chilled division. The facility is approximately 70,000 sq. ft and is specially catered for dealing with Frozen & Chilled products.

#### **Brierley Hill (Unit 2 Brook Park, Saltbrook Road, Cradley)**

Located at Cradley, near the A458, this depot is the Group's primary facility for all picking and storage of chilled products which are then distributed nationwide from this site. The facility was acquired as part of the Group's August 2019 acquisition of Central Supplies (Brierley Hill) Limited. As noted above, this facility is one of two freehold property owned by the Group, with the facility being approximately 40,000 sq. ft in size.

### **3.7.3.3 Foodservice division**

#### **Wakefield (Westgate Brewery, Westgate & plot 7b, Newmarket 31)**

Located in Wakefield, near the A638, the depot is the primary location for the Group's Alcohol On-Trade business, through the H.B. Clark & Co (Successors) Limited entity and is approximately 35,000 sq. ft in size. The Group also entered into a lease agreement for a potential new facility at Newmarket, for which the planning permission has now been granted. Once built, it is the Group's intention that it will seek to move its existing operations at Westgate Brewery to Newmarket (in Wakefield, UK).

#### **Dunnington (York Cellars, Derwent Valley Industrial Estate, Common Road, York)**

Located near York, near the A1079, the Dunnington facility is approximately 33,000 sq. ft in size and is the Group's primary location for all picking and storage of Foodservice, Frozen & Chilled and Ambient products for regional delivery under the David Miller Frozen Foods Limited business.

### **3.7.4 Vehicles**

The Group operates approximately 400 owned delivery vehicles and leases up to 40 additional vehicles each year on a short-term basis to meet seasonal demand (mainly additional freezer vehicles during the summer period).

### **3.7.5 IT Infrastructure**

The Group operates one key IT platform called Swords (owned by Aptean) within its core business activities which is designed to facilitate customer account monitoring, sales order processing, invoicing and purchasing. In addition, this core platform provides management with high visibility of stock and margin control. The Group's senior management continues to look for ways to develop the Group's existing software, such as apps to improve the customer proposition.

Customers are able to place orders online in addition to the traditional routes to market of sales representatives visiting customers, direct marketing and telesales.

The Directors believe that the Group's IT infrastructure and team is well invested, and that significant further investment will not be necessary in the near future. The existing systems have the capacity and flexibility to integrate further acquisitions without significant incremental cost being incurred.

### **3.8 Working capital and debt facilities**

The Directors believe the Group operates a disciplined approach to working capital and stock management, and whilst credit terms are provided to the majority of its customers, the Group has historically experienced a low level of bad debts. The Group's average creditor days have remained broadly unchanged at 33 to 35 during FY18 to FP20, with a seasonal increase in stock and creditor days occurring in Spring and lower stock levels and creditor days in the Autumn. The Group's credit policy requires that most new customers pay on delivery for an initial period and credit terms are set by each of the Group's individual businesses. The ageing profile of inventory has remained broadly consistent, with over 95 per cent. of the Group's SKUs by value sold within 30 days.

The Group's average debtor days have reduced from approximately 38 days to 28 days during the FY18 to FP20 financial period.

As at 31 October 2020, the Group had a number of available working capital and debt facilities, consisting of (i) mezzanine and subordinated unsecured loan facilities from the Investors, (ii) senior term bank loan facilities, and (iii) a trade finance invoice facility. The proceeds from the IPO will be used to repay the drawn amounts from the mezzanine and subordinated unsecured loan facilities from the Investors and the senior term bank loan facilities, lowering the Group's aggregate net debt to approximately one times Adjusted EBITDA (Pre IFRS-16). The day-to-day working capital requirements of the Group are funded by an invoice discounting facility, which enables the Group to draw up to the value of 85 per cent. of its available gross debtors up to an aggregate value of £35 million, after disallowed debts. The majority of the Group's debtors pay directly into the trust account with Barclays Bank PLC, who acts as the trustee, and is also granted security over the Group's assets.

In March 2021, the Group drew approximately £5.5 million via the British Business Bank's Coronavirus Large Business Interruption Loan Scheme (CLBILS), ahead of the scheme being withdrawn at the end of March 2021. It is the Group's intention to repay this loan in full, at or shortly after Admission with the cash that was originally drawn under this facility which is currently held in a segregated bank account.

On Admission the current receivables finance facility will be amended and restated to provide continuing Working Capital Facilities for the Group along with a continuing uncommitted bonds, guarantees and indemnities facility and trade cycle loan facility. The facilities continue the operational arrangements in place under existing arrangements. The receivables finance facility is provided by a two bank syndicate led by Barclays. It provides for a committed two year facility at a commercial margin over base rate and is secured by guarantees and security from the Company and certain Group companies. The new terms contain a financial covenant which measures the leverage ratio on a quarterly basis. Ongoing representations, undertakings and events of default are based in large degree on the existing terms but updated as appropriate in line with the agreed terms.

Further information on the Group's working capital and debt facilities are outlined in the notes to the accounts in Part III, Section B of this Document.

### **3.9 Customer Service**

The Group provides the following services to its customers as required:

- next day delivery capability for the majority of customers and a high service delivery performance with 98 per cent. of deliveries on time, in full;
- small minimum order values ranging from as low as £100 across the Group;
- merchandising and range advice; and
- customer credit terms.

The Group specialises in selling to independent retailers that the Directors believe are more difficult to service than larger regional and national accounts and therefore are not heavily targeted by larger delivered wholesalers such as Booker, Brakes, NISA and Bidvest. As a result, the Directors



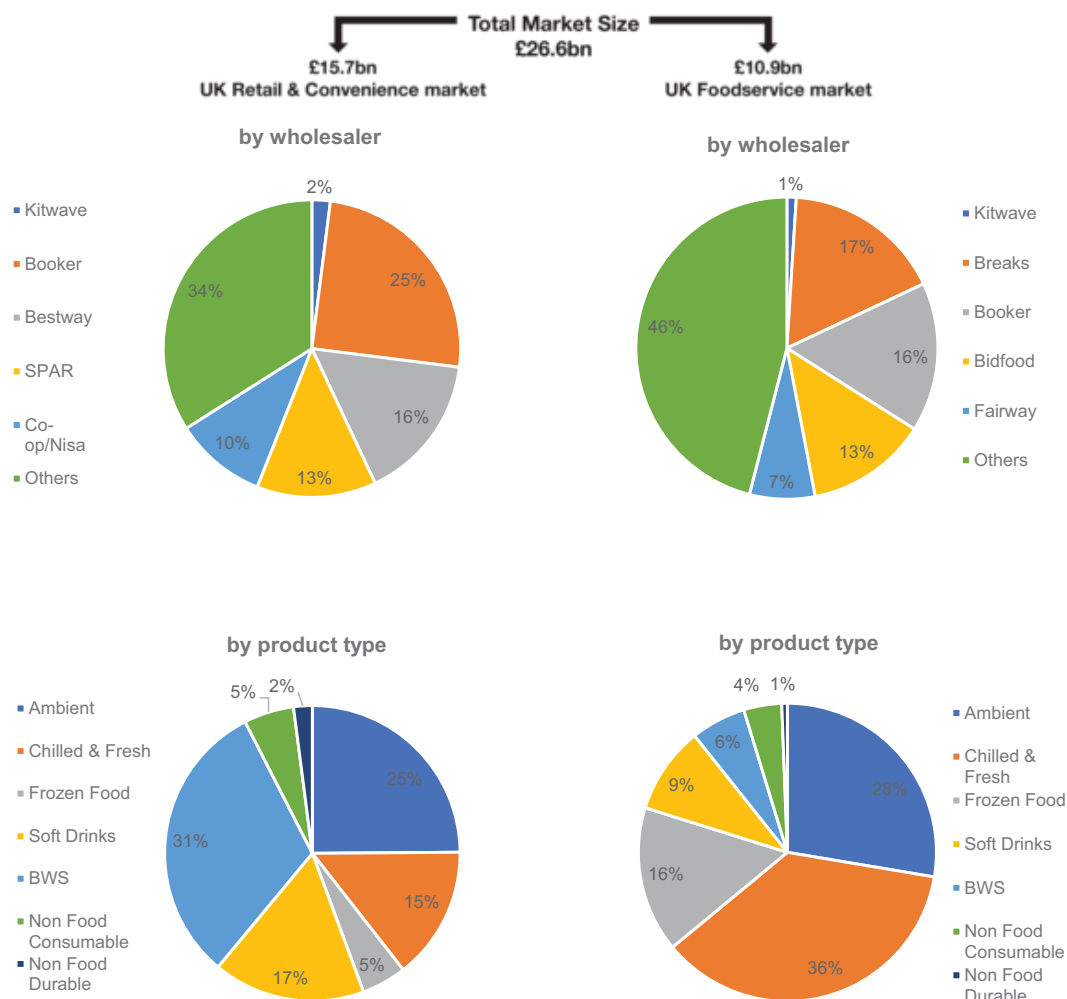
believe that their main competitors tend to be smaller, regionally or locally focused, often independent, wholesalers and cash and carry operators. Cash and carry operators do not typically provide the range of services that the Group can provide to its customers such as delivery and, importantly, credit terms.

## 4. MARKET AND COMPETITION

### 4.1. Market

The UK Grocery and Foodservice Wholesaling market was estimated to be worth approximately £28.0 billion per annum in 2020, with the end markets in which the Group operates (being UK Retail & Convenience and UK Foodservice) representing the largest components of the UK market, with an estimated value of over approximately £26.1 billion during the same period (Source: IGD 2021 report). The UK Grocery and Foodservice Wholesaling market is forecast to grow at approximately 2.2 per cent. CAGR between 2019 (pre COVID-19) to 2025, with the Retail customer channel expected to achieve a CAGR of 2.7 per cent., whilst the Catering and Foodservice segment is expected to achieve a CAGR of 0.8 per cent. during the same period.

Despite relatively low growth in the size of these overall markets, the fragmentation of these markets, outside of certain key national competitors, provides an opportunity to grow market share through consolidation. In 2018, the end markets in which the Group operates (being UK Retail & Convenience and UK Foodservice) had an estimated value of over approximately £26.6 billion and it was estimated that 34 per cent. of the Retail & Convenience market and 46 per cent. of the Foodservice market in the UK were made up of smaller local and regional competitors, as shown in the graph below.



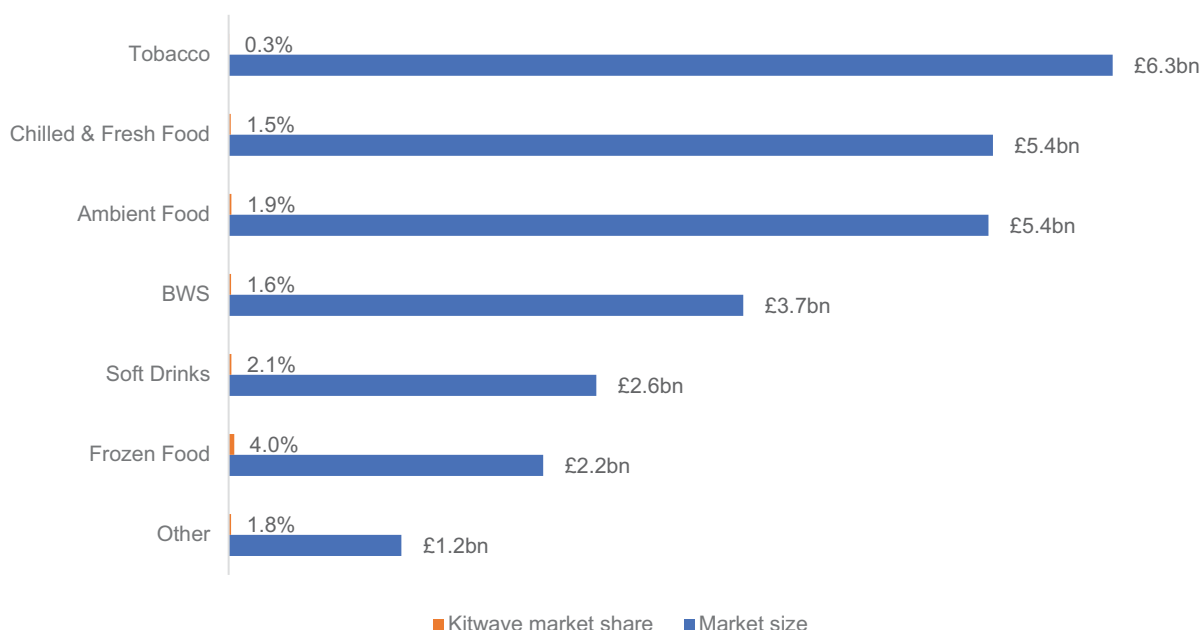
*Note: the market split by product type excludes Tobacco which accounted for £6,350 million in revenue for the UK Retail & Convenience market and £116 million for the UK Foodservice market.*

*Source: 2018 market sizes, as shown in IGD 2019 Report and based on management information*



The Group's estimated share in each of the main product categories in which it operates was as follows in 2019 (pre COVID-19):

**2019 Total estimated market share (£26.9bn) by product category**



Source: IGD 2021 Report; Management information

As shown above, the Group currently has a low share in each of these product categories which highlights the opportunity for the Group to grow market share across its whole product range. The Group remains focused on growing sales in higher margin products associated with the Frozen & Chilled and Foodservice markets. Management do not consider tobacco as an area of focus as it is a typically low margin product.

## 4.2. Competition

The Group's competitors include both national and local delivered wholesalers and cash and carry wholesalers, with Kitwave ranked as the 14<sup>th</sup> largest UK Grocery and Foodservice wholesaler according to the The Grocer 2021 survey.

The Directors believe the Group has a differentiated offering within the UK market as follows:

- the national delivered wholesalers typically do not want to service the "difficult to reach", low-value drop independent customers and instead focus on large national and regional contracts;
- many of the smaller delivered wholesalers are single site operations and are unable to provide the geographical reach and extensive product range and product availability that the Group can offer;
- the Group offers customers next day delivery on orders with values from as low as £100, using its wide delivery network and effective route optimisation;
- unlike its competitors, the Group provides additional support to its independent customers such as field and product range support and technology through web and app access; and
- cash and carry wholesalers do not offer credit terms to their customers and they do not typically offer delivery.

## 5. STRATEGY

The Directors continue to pursue a strategy of both organic and focused acquisitive growth with the aim of being recognised as the independents' wholesaler of choice.

### 5.1. Organic growth and increasing market share

The Group's strategy is to grow its market share of the UK Grocery and Foodservice market, by driving sales within its Frozen & Chilled and Foodservice divisions, which is the Group's higher margin categories. The Group will seek to achieve this through further cross selling in its Ambient division into its Frozen & Chilled division (and vice versa) and of its diverse third party and own product ranges to its existing customer base, whilst also seeking to grow its underlying customer base.

The Directors are involved in regularly reviewing the Group's opportunity pipeline and have currently identified a strong pipeline of potential organic opportunities.

### 5.2. Acquisition led growth

Kitwave has been an active industry consolidator, with the Group successfully acquiring and integrating 10 acquisitions since 2011, which has supported the Group's revenue growth from approximately £86 million in 2010 to over £592 million in the 18 months to 31 October 2020 and £399.0 million in the 12 months to 30 April 2020. In addition, these acquisitions have supported the expansion of the Group's geographic footprint, SKU product offering, customer and supplier base and supported the growth into the Frozen & Chilled and Foodservice categories.

The Group's acquisition targets have typically focused on smaller bolt-on acquisitions, which fulfil the following criteria: (i) are family owned and profitably run operations, (ii) widens geography as well as the Group's customer base or product pipeline, (iii) can be acquired at a compelling valuation of below five times Adjusted EBITDA (Pre IFRS-16) (pre synergies), (iv) is immediately earnings enhancing for the Group, and (v) does not require a structural turnaround, with potential for additional cost synergies to be delivered post acquisition.

The Group receives regular approaches from owners looking to sell their business and the majority of the acquisitions made by the Group to date have been "off-market" rather than being sold as part of a wider marketing process.

The Directors believe, based on their experience to date in making acquisitions, that there are a number of key benefits from further, carefully selected future acquisitions. Potential synergies include:

Revenue	<ul style="list-style-type: none"><li>• Cross-selling products to existing and new customers</li><li>• Wider geographical coverage and contract/customer wins</li><li>• Applying the Group's sales disciplines to drive organic growth within acquired companies</li></ul>
Buying	<ul style="list-style-type: none"><li>• Increased buying power through higher purchasing volumes (including direct volume rebate arrangements)</li><li>• Selecting "best of both" terms from existing suppliers of the Group and those of the acquired business</li></ul>
Distribution	<ul style="list-style-type: none"><li>• Fleet and route optimisation through a shared network</li><li>• Range consolidation (reducing the number of SKUs per product to increase buying power of remaining SKUs)</li><li>• Depot rationalisation, where possible without affecting service quality</li></ul>
Operational	<ul style="list-style-type: none"><li>• Savings through the elimination of back-office function duplication</li><li>• Shared operational benefits</li></ul>

The process of identifying and managing new acquisitions is the responsibility of the Directors, with appropriate input both pre and post deal by the operational management team and the relevant divisional team.

Going forward, the Directors will continue to actively review the Group's acquisition pipeline, and the Directors remain confident that there continues to be significant opportunities for further acquisition led growth, due to the highly fragmented marketplace in which the Group operates. The Directors will continue to apply their disciplined approach to reviewing acquisition targets. Furthermore, the Directors believe the Group is able to de-risk its acquisition strategy through its extensive knowledge of the industry, instilled by its deep relationships with key suppliers and customers, ability to migrate the acquired businesses IT and logistics network onto the Group's existing platform over time and has demonstrated a strong track record and blueprint for acquiring businesses as low acquisition multiples and integrating the businesses successfully. Post IPO, the Group intends that any acquisitions will be funded via the Group's own balance sheet or external debt facilities.

### 5.3. Acquisition history

The Group has a strong track record of completing focused acquisitions, recent examples include those set out below:

Year	Company Name	Description	Approximate last 12 month revenue before acquisition	Approximate EV/ Adjusted EBITDA (Pre IFRS-16) Acquisition multiple
2011	Automatic Retailing (Northern) Limited	Specialist supplier of confectionery and soft drinks into the vending machine market.	£53 million	4.5x
2012	Teatime Tasties Limited	Nationwide wholesaler of biscuits, cakes, confectionery and soft drinks.	£11 million	3.1x
2014	Eden Farm Limited	Specialist wholesaler of frozen food and ice cream with five regional depots.	£38 million	4.2x
2015	Squirrels UK Limited	Supplier of Ambient products, focused on the discount store segment of the market.	£12 million	4.0x
2015	Angelbell Limited (Hulleys) and	Frozen food wholesaler. David Miller provided entry into the foodservice sector, as a distributor of frozen catering produce to schools, cafes, restaurants and various leisure venues.	£40 million	3.9x
2015	David Miller Frozen Foods Limited			
2016	Phoenix Fine Foods Limited	Frozen food wholesaler. Increased exposure in London and South West England.	£5 million	2.7x
2016	H.B. Clark Holdings Limited	One of the UK's largest independent alcohol distributors, including the wholesale of own-brand products.	£80 million	4.7x
2019	Central Supplies (Brierley Hill) Ltd	Nationwide chilled product wholesaler and distributor	£52 million	5.0x
2019	Alpine Fine Foods Limited	Supplier of ambient, frozen and other products into the foodservice division.	£11 million	5.0x

Source: Management information

Most recently, the Group acquired a 75 per cent. interest of Central Supplies (Brierley Hill) Ltd, a nationwide chilled product wholesaler and distributor, for a total consideration of £6.6 million on 5 August 2019, consisting of £1.4 million of a transferred debtor and £5.2 million in cash. The Group acquired Central Supplies (Brierley Hill) Ltd from the two founders of the business, with the acquisition funded through a combination of the Group's existing cash and available debt facilities. The transaction was immediately earnings enhancing to the Group. Central Supplies (Brierley Hill) Ltd generated revenue and a profit before tax in the 12 month period to 28 December 2018 of £52.1 million and £1.0 million respectively.

The remaining 25 per cent. interest in Central Supplies (Brierley Hill) Ltd is held by two founders of the business, and Kitwave through its subsidiary undertaking Eden Farm Limited, has a contractual right to acquire the remaining 25 per cent. interest which it can exercise at any time after certain events occur, including an IPO of the Group. At the time of the publication of this Document, Kitwave does not expect to exercise this option at IPO, but may seek to do so in the future as the Directors see appropriate.

In addition, the two founders who hold the remaining 25 per cent. interest in Cental Supplies (Brierley Hill) Ltd, can at any time post the second anniversary from the acquisition date (being August 2021), can exercise their right to sell the remaining 25 per cent. option to Kitwave, at a pre-determined valuation formula. Post the fourth anniversary from the purchase date (being August 2023) or at IPO, Kitwave can exercise its own right to acquire the remaining 25 per cent. interest, at a pre-determined valuation formula

Furthermore, the Group also acquired a 100 per cent. interest in Alpine Fine Foods Limited, a supplier and distributor of ambient, frozen and other products into the Group's Foodservices division, for a total cash consideration of £2.5 million on 29 October 2019. The Group, acquired Alpine Fine Foods Limited from three parties and funded the acquisition through a combination of the Group's existing cash and available debt facilities. The transaction was immediately earnings enhancing to the Group. Alpine Fine Foods Limited generated revenue and a loss before tax in the 12 month period to 30 November 2018 of £12.3 million and £0.4 million respectively. In February 2020, Alpine Fine Foods Limited was hived up and consolidated into David Miller Frozen Foods Limited, resulting in the Group having 10 trading operations.

## 6. FINANCIAL INFORMATION

Part III of this Document contains audited historical financial information of the Group for the two 12 month periods to 30 April 2018 and to 30 April 2019 and the 18 month period to 31 October 2020.

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

	<b>Audited Year Ended 30 April 2018 £000</b>	<b>Audited Year Ended 30 April 2019 £000</b>	<b>Audited 18 Months Ended 31 October 2020 £000</b>
Revenue	341,301	366,584	592,016
Gross Profit	57,481	64,034	107,174
Adjusted EBITDA (Pre-IFRS 16)*	12,407	14,577	20,730
Adjusted EBITDA*	12,407	14,577	27,635
Operating Profit	9,990	11,572	12,024
Taxation	(1,248)	(1,530)	(1,805)
Profit after tax	3,433	3,657	(500)

\*Adjusted for restructuring costs, acquisition expenses and compensation for post combination services

## Business Performance by division

	FY18	FY19	FP20
<b>Revenue (£m)</b>	<b>341.3</b>	<b>366.6</b>	<b>592.0</b>
<i>Ambient</i>	175.9	182.5	249.1
<i>Frozen &amp; Chilled</i>	78.1	91.9	230.5
<i>Foodservice</i>	87.3	92.2	112.4
<i>Head Office</i>	—	—	—
<b>Adjusted EBITDA (Pre IFRS-16) (£m)</b>	<b>12.4</b>	<b>14.6</b>	<b>20.7</b>
<i>Ambient</i>	3.7	4.5	5.3
<i>Frozen &amp; Chilled</i>	6.7	7.8	13.5
<i>Foodservice</i>	3.0	3.7	2.7
<i>Head Office</i>	(1.0)	(1.5)	(0.8)
<b>Adjusted EBITDA Margin (Pre IFRS-16)</b>	<b>3.6%</b>	<b>4.0%</b>	<b>3.5%</b>
<i>Ambient</i>	2.1%	2.5%	2.1%
<i>Frozen &amp; Chilled</i>	8.6%	8.5%	5.9%
<i>Foodservice</i>	3.4%	4.0%	2.4%
<b>Adjusted EBITDA (£m)</b>	<b>12.4</b>	<b>14.6</b>	<b>27.6</b>
<i>Ambient</i>	3.7	4.5	7.3
<i>Frozen &amp; Chilled</i>	6.7	7.8	17.2
<i>Foodservice</i>	3.0	3.7	4.0
<i>Head Office</i>	(1.0)	(1.5)	(0.8)
<b>Adjusted EBITDA Margin</b>	<b>3.6%</b>	<b>4.0%</b>	<b>4.7%</b>
<i>Ambient</i>	2.1%	2.5%	2.9%
<i>Frozen &amp; Chilled</i>	8.6%	8.5%	7.4%
<i>Foodservice</i>	3.4%	4.0%	3.5%

The Group's Ambient division has generated a similar overall proportion of Group revenue and Adjusted EBITDA (Pre IFRS-16) between FY18 and FP20, reflecting the strategic decision taken by the Directors to move away from low-margin tobacco products and tobacco-led customers. The Ambient division has the lowest Adjusted EBITDA margin (FP20: 2.9 per cent.) driven largely by the product mix and lower complexity in distribution.

From FY18, the Group undertook a proactive diversification strategy, with acquisitions focused in the higher margin Frozen & Chilled (FP20 Adjusted EBITDA margin: 7.4 per cent.) and Foodservice (FP20 Adjusted EBITDA margin: 3.5 per cent.) divisions.

The Frozen & Chilled division generates the largest contribution to the Group's Gross margin and Adjusted EBITDA margin. The higher margins within this division are reflective of the higher barriers to entry relative to the other divisions, principally due to the level of infrastructure required to operate within this sector (e.g. artic fleet, cold storage facilities). The division has benefited from actions such as depot rationalisation, associated headcount reduction and annualised non-payroll cost savings. These actions have improved the division's core Adjusted EBITDA (Pre IFRS-16) margin but the reported margin has reduced from FY18 (8.6 per cent.) to FP20 (5.9 per cent.) reflecting the acquisition of Central Services (Brierley Hill) Ltd which operates at a lower margin than the core business to which it has been integrated into.

The Group's Foodservice division was further added to following the Group's acquisition of H.B. Clark in November 2016.

## 7. CURRENT TRADING AND PROSPECTS

### 7.1 Current trading and prospects

Since the end of the 18 month period to 31 October 2020, the Group has continued to trade in line with Board's expectations, with performance reflecting the continued COVID-19 lockdown restrictions which were in place at the end of the calendar year and into 2021. The Ambient, Frozen & Chilled and Foodservices divisions have all experienced some level of impact from the COVID-19 restrictions however each business remains well positioned.

The stop start nature of the COVID-19 lockdown restrictions in the UK since November 2020 has been problematic for the Group's customers, as they have strived to meet a reduced customer demand whilst minimising their operating costs. Unlike the previous COVID-19 lockdown restrictions, the total market supply chain has proved more robust during the most recent lockdown and consumers have been more confident in its ability to meet their demand. As a result, convenience stores have not experienced an uplift in demand or the previous rapid growth in frozen food sales.

Whilst leisure outlets have been temporarily closed, the remainder of the Group's customers have continued to trade albeit in a restricted movement market. This has impacted upon the Group's performance in its impulse products which relies upon freedom of movement. Whilst in the first four months of the new financial year, the Group has traded behind the prior year comparable period, it has traded in line with the Board's expectations.

Today, the Group remains well positioned to take full advantage of what the Directors anticipate will be a buoyant market, once COVID-19 restrictions are removed. Given the Directors' assessment of the strength of the Group's strategy and business model, the Directors have confidence in the Group's prospects for the current financial year and beyond. The Board is focused on the Group's growth strategy to continue being one of the leading independent delivered wholesale providers in the UK.

## **7.2 Unaudited *Pro Forma* Statement of Net Assets of the Group**

Part IV of this Document contains an unaudited *pro forma* statement of the net assets of the Group, which illustrates the effect on the net assets of the Group after giving effect to the Pre-Admission Reorganisation and Admission to illustrate the effect of the receipt of the net proceeds of the Placing and the repayment of debt on the Group's net assets as if the Pre-Admission Reorganisation, the Placing and the repayment of debt had been completed as of 31 October 2020.

## **8. DIRECTORS AND KEY MANAGEMENT**

The Board on Admission will comprise Paul Young as Chief Executive Officer, David Brind as Chief Financial Officer, Stephen Smith as Independent Non-Executive Chairman and Gerard Murray as Independent Non-Executive Director.

### **Directors**

#### **Stephen ("Steve") Smith (*Independent Non-Executive Chairman, aged 63*)**

Steve joined the Group as a Non-Executive Chairman following the investment by Pricoa Capital Group in 2016. He retired as CEO of Northgate plc in 2010, after a career of over 20 years. Steve now serves as a Non-Executive Director on two other Boards: Ramsdens Holdings Plc and Procomm Site Services Limited (Chairman). He is a chartered accountant and holds a degree in Economics from the London School of Economics. Steve is chairman of the Nomination Committee. Steve's appointment to the Board shall be conditional on and takes effect on Admission.

#### **Paul Young (*Chief Executive Officer, aged 63*)**

Paul co-founded the Group in 1987, initially as a single North east based cash and carry. During his 30 year tenure as Chief Executive and majority shareholder Paul has grown the business into a national delivered wholesale business with revenue over £360m in FY19. Paul is a qualified Cost and Management Accountant (ACMA).

#### **David Brind (*Chief Financial Officer, aged 48*)**

David joined as Group Finance Director in 2011, following NVM Private Equity LLP's investment. He had a close relationship with the Group over a number of years up to the time of joining through his role at Barclays. Prior to his position with Barclays, David worked at Ward Hadaway as a Corporate Finance Director and before this, Ernst & Young as Assistant Director in Corporate Finance. David moved to Ernst and Young shortly after qualifying as a chartered accountant and is a Fellow of the Institute of Chartered Accountants in England and Wales. He obtained a degree in Business Studies at the University of Hull.



**Gerard Murray (*Independent Non-Executive Director, aged 57*)**

Gerard is currently the CFO of Tharsus Group and director of Newrona Limited. Prior to this he has been either a Group Finance Director or Chief Financial Officer with Reg Vardy plc, Northgate plc, The Vardy Group of Companies, Immunodiagnostic Systems Holdings plc, Benfield Motor Group, Ardent Hire Solutions, Quantum Pharma plc and most recently Fairstone Holdings. Gerard has experience of initial public offerings and ongoing listed company operations, treasury activities, and been involved in over 100 corporate finance transactions of varying complexity and size. He is a Fellow of the Institute of Chartered Accountants in England and Wales, having qualified as a chartered accountant with Arthur Andersen, and holds a degree in Economics from the University of Leicester.

Gerard will be the chairman of the Audit Committee and chairman of the Remuneration Committee.

Gerard's appointment to the Board shall be conditional on and takes effect on Admission.

**Senior Management****Ben Maxted (*Group Operations Director, Head of Frozen & Chilled division, aged 37*)**

Ben joined the Group in 2011 as the divisional Finance Director of the Automatic Retailing division, a role which he held for three years before his appointment as Managing Director of Eden Farm, following its acquisition by the Group in 2014. Ben is a chartered accountant, having trained at PricewaterhouseCoopers, where he spent three years in Corporate Finance.

**John Hope (*Divisional Operations Director, Head of Ambient and Foodservice division, aged 51*)**

John has been with the Group for 28 years, having joined four years after the formation of the Group. John's extensive experience in wholesale, understanding of the business and sector relationships have been key to the integration of many historic acquisitions.

**9. SHARE PLAN****Management Incentive Plan (MIP)**

The Board believes that the ongoing success of the Group depends to a high degree on retaining and incentivising the performance of its executive and senior management team. To that end, the Company has adopted a MIP, in which David Brind (Chief Financial Officer) and Ben Maxted (Group Operations Director and Head of Frozen & Chilled) will participate. The aim of the MIP is to align the interests of David Brind and Ben Maxted with those of the Shareholders and reward them in the event that Shareholder value is created. A summary of the MIP is set out in paragraph 4 of Part VI of this Document.

**10. PLACING SHARES, SECONDARY PLACING AND PLACING AGREEMENT AND OTHER SHAREHOLDER LOCK-INS****The Placing Shares**

The Company is proposing to raise a total of approximately £64.0 million by way of a Placing by the Company of the Placing Shares, at the Placing Price with new investors.

The Placing Shares will represent approximately 61.0 per cent. of the Enlarged Ordinary Share Capital at Admission.

The costs of the Placing are estimated to be approximately £3.3 million.

**The Secondary Placing**

The Selling Shareholders have indicated a desire to realise all or part of their investment in the Company. The Secondary Placing will allow the Selling Shareholders to achieve this.

Under the Secondary Placing, the Selling Shareholders have agreed to sell 11,753,327 Secondary Placing Shares at the Placing Price and these shall be placed with investors by Canaccord Genuity at the Placing Price. The Secondary Placing Shares will represent approximately 16.8 per cent. of the Enlarged Ordinary Share Capital at Admission. The Company will not receive any proceeds from the sale of the Secondary Placing Shares.

## The Placing Agreement

Pursuant to the Placing Agreement, Canaccord Genuity has agreed to use its reasonable endeavours to procure subscribers for the Placing Shares and purchasers for the Secondary Placing Shares. The Company, the Directors and the Selling Shareholders have given certain warranties (and the Company has given an indemnity) to Canaccord Genuity, all of which are customary for this type of agreement.

Each of the Directors, and the Selling Shareholders who will hold Ordinary Shares following Admission, have undertaken, pursuant to the Placing Agreement:

- for a period of 12 months from Admission, not to dispose of any of the Ordinary Shares in which they are interested at Admission, except with the permission of Canaccord Genuity; and
- for a further period of 12 months, to comply with certain requirements designed to maintain an orderly market in the Ordinary Shares.

The Placing and Secondary Placing, which are not underwritten, are conditional, *inter alia*, on:

- the Placing Agreement becoming unconditional and not having been terminated in accordance with its terms prior to Admission; and
- Admission occurring no later than 24 May 2021 (or such later date as Canaccord Genuity and the Company may agree, being no later than 14 June 2021).

The Placing Shares will, on Admission, rank *pari passu* in all respects with the Existing Ordinary Shares in issue (including the Secondary Placing Shares) and will participate in full for all dividends and other distributions thereafter declared, made or paid on the Ordinary Share capital of the Company. The Placing Shares and the Secondary Placing Shares will, immediately on and from Admission, be freely transferable.

Canaccord Genuity is entitled to terminate the Placing Agreement and not proceed with the Placing if, prior to Admission, certain events occur including circumstances where any of the warranties are found to be untrue, inaccurate or misleading or the occurrence of certain force majeure events. If such right is exercised by Canaccord Genuity, the Placing will lapse and any monies received in respect of the Placing will be returned to investors without interest.

Further details of the Placing Agreement are set out in paragraph 13.1 of Part VI of this Document.

## 11. REASONS FOR ADMISSION TO AIM

The Directors believe that admission to AIM will provide an increased profile for the Group and its brands, a strengthened balance sheet that will see the Group's leverage reduce to approximately one times Adjusted EBITDA (Pre IFRS-16) at IPO in addition to lowering the Group's related interest expense, supports the Group's buy-and-build strategy, enhance the Group's position with key suppliers as a listed business and provide the Group with greater ability to incentivise and retain key employees.

## 12. THE PLACING

Kitwave and its Selling Shareholders propose to raise total gross proceeds of £81.6 million by way of an IPO of the Group's Ordinary Shares on AIM of the London Stock Exchange.

The Group will raise gross proceeds of approximately £64.0 million by way of the Placing Shares, which will be used to:

- repay approximately £60.7 million of the Group's £76.0 million existing debt facilities (estimated amount to be drawn shortly before Admission), consisting of repaying £15.1 million of the Group's existing senior bank term loan facilities (£15.1 million as the estimated amount to be drawn shortly before Admission), all £35.9 million of the Group's existing mezzanine and subordinated unsecured loan facilities from the Investors (estimated amount to be drawn shortly before Admission), and reduce the drawn amount under the Group's existing working capital facilities by £9.7 million to approximately £8.3 million. The result of this will be a significant reduction in the Group's debt position, in which the Group will maintain leverage of approximately one times Adjusted EBITDA (Pre IFRS-16) and materially reduce the Group's annual interest costs. As noted in paragraphs 3.8 of Part I

and 13.6 of Part VI, the Group drew approximately £5.5 million via the British Business Bank's Coronavirus Large Business Interruption Loan Scheme (CLBILS), ahead of the scheme being withdrawn at the end of March 2021. It is the Group's intention to repay this loan in full, at or shortly after Admission with the cash that was originally drawn under this facility which is currently held in a segregated bank account. This loan does not form part of the existing debt facilities referred to above.

- fund approximately £3.3 million in transaction related expenses.

The Selling Shareholders will raise gross proceeds of approximately £17.6 million via the Secondary Placing Shares, which will:

- provide gross proceeds of £9.8 million which will facilitate a full exit for the Investors' interest in the Group;
- provide gross proceeds of £7.8 million providing a liquidity event for certain Directors and members of the senior management of the Group. The Group's Directors and senior management team will remain significantly invested in the Group following Admission, with each retaining between 52.8 per cent. and 79.5 per cent. of their existing stakes which equate, in aggregate, to approximately 75.0 per cent. of their interest in the Existing Ordinary Shares; and
- The Selling Shareholders will retain an interest of 22.3 per cent. of the Enlarged Ordinary Share Capital at Admission;

Further details of the Placing are set out in paragraph 13.1 of Part VI of this Document.

### **13. TAXATION**

Information regarding taxation is set out in paragraph 16 of Part VI of this Document. These details are intended only as a general guide to the current tax position in the UK.

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

### **14. ADMISSION, SETTLEMENT AND DEALINGS**

Application has been made to the London Stock Exchange for the Enlarged Ordinary Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and dealings in the Ordinary Shares on AIM will commence at 8.00 a.m. on 24 May 2021.

The Ordinary Shares will be in registered form and will be capable of being held in either certificated or uncertificated form (i.e. in CREST). Accordingly, following Admission, settlement of transactions in the Ordinary Shares may take place within the CREST system if a Shareholder so wishes. In respect of Shareholders who will receive Ordinary Shares in uncertificated form, Ordinary Shares will be credited to their CREST stock accounts on 24 May 2021. Shareholders who wish to receive and retain share certificates are able to do so and share certificates representing the Ordinary Shares to be issued pursuant to the Placing or transferred pursuant to the Secondary Placing are expected to be dispatched by post to such Shareholders by no later than 1 June 2021.

CREST is a paperless settlement enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument in accordance with the CREST Regulations. The Articles permit the holding of Ordinary Shares in CREST. The Company will apply for the Enlarged Ordinary Share Capital to be admitted to CREST from the date of Admission.

### **15. INTERESTS IN ORDINARY SHARES**

Upon Admission, the Directors will in aggregate be interested in, directly and indirectly, 12,598,783 Ordinary Shares representing approximately 18.0 per cent. of the Enlarged Ordinary Share Capital. Further information is available in paragraph 7 of Part VI of this Document.

### **16. CORPORATE GOVERNANCE**

The Directors acknowledge the importance of high standards of corporate governance. The Directors intend to adhere to the QCA Corporate Governance Code which sets out a standard of

minimum best practice for small and mid-sized quoted companies, particularly AIM companies. The Directors acknowledge the importance of the principles set out in the QCA Corporate Governance Code. Details are set out in Part V of this Document summarising how the Group will comply with the QCA Corporate Governance Code.

Immediately following Admission, the Board will comprise four directors, two of whom shall be executive directors and two of whom shall be non-executive directors (including the Chairman), reflecting a blend of different experience and backgrounds. Both of the non-executive directors are considered independent.

Following Admission, the Board intends to meet regularly to review, formulate and approve the Company's strategy, budgets, corporate actions and oversee the Company's progress towards its goals. Briefing papers will be distributed to all Directors in advance of Board meetings. All Directors will have access to the advice and services of the Chief Financial Officer, who will be responsible for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with. In addition, procedures will be in place to enable the Directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Group's expense.

As part of its listing to AIM, the Group will establish an Audit Committee, a Remuneration Committee and a Nomination Committee with formally delegated duties and responsibilities and with written terms of reference. From time to time, separate committees may be set up by the Board to consider specific issues when the need arises.

### **Board and committee independence**

Notwithstanding that the UK Corporate Governance Code does not apply to the Company, the Company intends to comply with its recommendation for a "smaller company" (defined in the UK Corporate Governance Code as being a company that is outside the FTSE 350, as the Company will be), that it should have at least two independent non-executive directors. As of the date of this Document, the Board consists of two independent non-executive Directors (including the Chairman) and two executive Directors. The Company regards the non-executive directors as "independent non-executive Directors" within the meaning of the UK Corporate Governance Code and free from any relationship that could materially interfere with the exercise of their independent judgement.

### **Board Committees**

The Company will, upon Admission, have established Audit, Remuneration and Nomination Committees.

#### **Audit Committee**

The Audit Committee will be chaired by Gerard Murray, and will have primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of the Group is properly measured and reported on and reviewing reports from the Group's auditors relating to the Group's accounting and internal controls, in all cases having due regard to the interests of Shareholders. The Audit Committee will meet at least three times a year. Steve Smith will be the other member of the Audit Committee.

#### **Remuneration Committee**

The Remuneration Committee will be chaired by Gerard Murray, and will review the performance of the executive directors and determine their terms and conditions of service, including their remuneration and the grant of options, having due regard to the interests of Shareholders. The Remuneration Committee will meet at least three times a year. Steve Smith will be the other member of the Remuneration Committee.

#### **Nomination Committee**

The Nomination Committee will be chaired by Steve Smith, and will identify and nominate, for the approval of the Board, candidates to fill Board vacancies as and when they arise. The Nomination Committee will meet at least twice a year. Gerard Murray and Paul Young will be the other members of the Nomination Committee.

## Share Dealing Code

The Company has adopted, with effect from Admission, a share dealing code for the Board and applicable employees and their persons closely associated (within the meaning given in the AIM Rules for Companies) of the Company for the purpose of ensuring compliance by such persons with the provisions of the Market Abuse Regulation relating to dealings in the Company's securities. The Directors consider that this share dealing code is appropriate for a company whose shares are admitted to trading on AIM and the Company will take all reasonable steps to ensure compliance by the Board and any relevant employees.

Full details of the Company's approach to corporate governance are set out in Part V.

## 17. ENVIRONMENT, SOCIAL AND GOVERNANCE RESPONSIBILITY (ESG)

The Directors believe that a long-term sustainable business model is essential for discharging the Board's responsibility to promote the success of the Group, its employees, shareholders and other stakeholders of the business. In considering the Group's strategic plans for the future, the Directors proactively consider the potential impact of its decisions on all stakeholders within its business, in addition to considering the broader environmental and social impact as well as the positive impact it can have within the local communities the Group operates in.

The Group intends to implement a formal Corporate Social Responsibility (CSR) strategy and committee in due course, which will monitor the implementation of CSR practises to ensure the Group conducts its business with a view of long-term sustainability for its customers, employees, communities, the environment as well as its shareholders.

The Group places significant value on its staff who are fundamental to the Group's ability to offer high levels of customer service. The Group is committed to ensuring their safety via employee handbooks, training and documented health and safety standards. This has been particularly important during the COVID-19 pandemic and the Group has ensured the correct protective clothing, equipment and social distancing practices have been implemented under Group policies.

The Group also invests in formal and informal training to develop our staff at all levels. The Group is committed to employment policies which follow best practice and endorses the application of equal opportunities to provide fair and equitable conditions for all of the Group's people. Gender pay Gap information is published on an annual basis.

The Group's relationship with customers and suppliers are crucial to its success. There is regular communication with customers through a dedicated sales network, telesales and email, thus ensuring customer expectations are satisfied.

The Group is involved in the delivery of third party and own branded products to over 38,000 customers across the UK, and Kitwave has developed long term relationships with suppliers to provide a high quality and sustainable supply chain. The Group meets its suppliers regularly to continually develop strength in the supply chain and our supplier's routes to market.

The Group recognises its impact on the community and environment and actively seeks ways to minimize its carbon footprint. This is achieved through engagement with energy management professionals, the acquisition of new vehicle fleet to meet emission requirements, implementation of telematics and route planning software to optimize deliveries, the use of solar panels in energy production and responsible procurement reducing the Group's food waste. Driving efficiency is reviewed daily through the implementation of telematics systems and the use of delivery management software. Proactive maintenance of the Group's vehicles also ensures Kitwave's delivery fleet operates at efficient capacity, whilst limiting any unnecessary CO2 emissions where possible.

The Group also seeks to meet all relevant environmental legislative requirements on its business in addition to seeking to reduce any excess packaging, to reduce costs to the Group whilst providing an environmental benefit, in addition to recycling packaging and internal waste where possible. Furthermore, the Group is replacing fluorescent lights with LED lighting in addition to operating motion sensor equipment to maximise energy efficiency.

The Group has an established reputation with suppliers and customers and this is underpinned by high standards of business conduct. The Group also seeks to maintain goodwill with its clients by supporting their initiatives, which in turn directly and indirectly supports the local communities in



which the Group's customers serve. The Group is also focused on providing a health & safety compliant and sustainable place for its employees to work, aiding in employee wellbeing.

In addition, the Group operates anti-money laundering, anti-bribery and whistle-blowing policies to ensure it operates in an ethical and sustainable manner. The Group fully endorses the aims of the Modern Slavery Act 2015 and take a zero tolerance approach to slavery and human trafficking within the Group and supply chain.

### **Carbon reporting**

The Group supports the drive for sustainable business practices and the below table outlines the Group's energy use, in kWh, of Eden Farm Limited and H.B. Clark & Co (Successor) Limited for the recent FP20 period.

	<b>Energy use (kWh)</b>	<b>Greenhouse gas emissions (t/CO<sub>2</sub>e)</b>
Electricity	12,251,503	3,131
Gas	476,389	97
Transport	35,438,321	9,143
<b>Total energy</b>	<b>48,166,213</b>	<b>12,372</b>
Revenue £	238,242,427	238,242,427
<b>Carbon intensity</b>	<b>0.20</b>	<b>0.00005</b>

Greenhouse gases ("GHG") intensity per £1000 of revenue is 0.05 t/CO<sub>2</sub>e.

CO<sub>2</sub>e is the universal unit of measurement to indicate the global warming potential of GHGs expressed as one unit of carbon dioxide.

GHG emissions are from operationally controlled activities, in accordance with WRI/WBCSD Reporting Protocols, and are proportional to business activity represented in the above by revenue.

The principal action taken to increase the Group's energy efficiency during the FP20 period was the purchase of new fleet meeting the Euro 6 emissions standards.

In addition, a number of audits have been conducted in accordance to BS EN 16247-1-2012. Energy audit reports were compiled, and opportunity assessments made to identify and extrapolate energy efficiency opportunities across the Group. As a consequence, energy management behaviors have been assessed and altered at the Group's main sites in the Frozen & Chilled division, which is a significant energy consumer within the Group.

## **18. DIVIDEND POLICY**

It is the Directors' intention to implement a progressive dividend policy from FY21 onwards, subject to the discretion of the Board and to the actual financial results of the Group.

It is the Directors' intention to pay both an interim dividend and a final dividend in respect of FY21 which, in total, is expected to equate to a 4.5 per cent. dividend yield, calculated on the Placing Price. While the financial performance of the Group in FY21 has been impacted by COVID-19 and finance expenses incurred ahead of the flotation, the Directors believe this dividend payment reflects the strong underlying cash performance of the business and Kitwave's prospects as a public company moving forward.

Post FY21, the Board intends to base its dividend policy on Group's post-tax profits per annum. The Board will target a dividend payout ratio to Shareholders of between 40 per cent. and 50 per cent. of the Group's post-tax profits per annum. The Directors believe that this represents an attractive, sustainable and progressive dividend policy, having regard to the anticipated amount of the Group's distributable profits and funds required to finance future growth.

The Group proposes to pay both interim and final dividends for each financial year, split as to approximately one third for the interim payment and two thirds for the final payment.



## **19. APPLICABILITY OF THE TAKEOVER CODE**

The Takeover Code is issued and administered by the Panel and governs amongst other things, transactions involving companies to which the Takeover Code applies. The Takeover Code applies to the Company and therefore its Shareholders are entitled to the protection afforded by the Takeover Code. Under Rule 9 of the Takeover Code, if an acquisition of interests in shares were to increase the aggregate holding of the acquirer and its concert parties to interests in shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on circumstances, its concert parties would be required (except with the consent of the Panel) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for interests in shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of interests in shares by a person holding (together with its concert parties) shares carrying between 30 per cent. and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage interest in the Company's shares.

## **20. RISK FACTORS**

Your attention is drawn to the risk factors set out in Part II of this Document and to the section entitled "Forward Looking Statements" therein. In addition to all other information set out in this Document, prospective investors should carefully consider the risks described in those sections before making a decision to invest in the Company.

## **21. ADDITIONAL INFORMATION**

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

Your attention is drawn to the information set out in Parts II to VII (inclusive) of this Document which contains further information on the Group.

## **PART II**

### **RISK FACTORS**

**Before making any investment decision, prospective investors should carefully consider all the information contained in this Document including, in particular, the risk factors described below.**

**The Ordinary Shares may not be a suitable investment for all recipients of this Document. If you are in any doubt about the Ordinary Shares and their suitability for you as an investment, you should consult a person authorised under FSMA who specialises in advising on the acquisition of shares and other securities.**

**In addition to the usual risks associated with an investment in a company, the Directors consider that the factors and risks described below are the most significant in relation to an investment in the Company and should be carefully considered, together with all the information contained in this Document, prior to making any investment decision in respect of the Ordinary Shares. The list below is not exhaustive, nor is it an explanation of all the risk factors involved in investing in the Company and nor are the risks set out in any order of priority.**

**It should be noted that the risks described below are not the only risks faced by the Group and there may be additional risks that the Directors currently consider not to be material or of which they are currently not aware. The Company and the Board disclaim any obligation to update any such forward looking statements in the document to reflect future events or developments.**

**If any of the events described in the following risks actually occur, the Group's business, financial condition, results or future operations could be materially affected. In such circumstances, the price of the Ordinary Shares could decline and investors could lose all or part of their investment.**

#### *Acquisition risk*

The Group is likely to acquire other businesses, when suitable opportunities become available. Any future acquisition poses integration and other risks which may significantly affect the Group's results or operations. To the extent that suitable opportunities arise, the Group may expand its business through the identification and acquisition of companies, technologies, products and services.

There can be no assurance that the Group will identify suitable acquisitions or opportunities, obtain the financing necessary to complete and support such acquisitions or acquire businesses on satisfactory terms, or that any business acquired will prove to be profitable. In addition, the acquisition and integration of independent companies is a complex, costly and time-consuming process involving a number of possible problems and risks, including possible adverse effects on the Group's operating results, diversion of management's attention, failure to retain personnel, failure to maintain customer service levels, disruption to relationships with customers and other third parties, risks associated with unanticipated events or liabilities and difficulties in the assimilation of the operations, technologies, systems, services and products of the acquired companies.

No assurance can be given that the Group will be able to manage future acquisitions profitably or to integrate such acquisitions successfully without substantial costs, delays or other problems and any failure to achieve successful integration of such acquisitions could have a material adverse effect on the results of operations or financial condition of the Group. If the Group is unable to attract and retain key officers, managers and technical personnel, its ability to execute its business strategy successfully and to provide quality services to its customers could be materially and adversely affected.

#### *Risk that the desired synergy benefits may not be achieved by the Group*

The Group targets both revenue and cost synergies from its acquisitions, and the growth of the Group relies to an extent on realising synergies. There is a risk that synergy benefits from future acquisitions fail to materialise or that they may be lower than have been estimated. In addition, the cost of funding these synergies may exceed expectations such eventualities may have a material adverse effect on the financial position of the Group post acquisition.

#### *Debt financing and interest rate risk*

Immediately post Admission, Kitwave will continue to have a trade finance invoice facility and in addition to any existing hire purchase contracts.

Use of borrowings creates a risk that the Group will be unable to service debt payments or comply with other requirements of the borrowing in the future, rendering it repayable. There is also a risk that borrowings will not be able to be refinanced in future, or that the terms of such refinancing may not be as favourable as the existing terms of borrowing.

As a result of the Group entering into new banking arrangements, the Group will be subject to banking covenants. Where the Group wishes to enter into a transaction or undertake corporate action which is not permitted under such covenants it will need to obtain the prior consent of the lenders and there can be no guarantee that such consent would be obtained. This may impact on certain operational and financial flexibility that the Group would otherwise have with respect to (among other things) paying dividends (including its ability to pay such dividends as are envisaged under its present dividend policy), granting security, making acquisitions or disposal or incurring financial indebtedness.

If the Group is required to repay all of its borrowings, it may be required to sell assets at less than their market value at a time or in circumstances where the realisation proceeds are reduced because of a downturn in values generally, or because there is a limited time to market the assets effectively. The Group will also be subject to interest rate risk as the Working Capital Facilities are subject to a variable interest rate.

#### *Reliance on key suppliers*

The Group relies upon certain key suppliers, with the top 20 suppliers accounting for approximately 52.1 per cent. of the total value of goods supplied by the Group. A disruption to the supply of goods could be caused for reasons beyond the Group's control and could result in a short-term restriction on the ability to provide selected lines or products. However, given that the Group holds a significant product range, with over 33,000 SKUs, the reliance to one supplier is low and restrictions would be felt across the market.

The Group does not have formal long-term contracts in place with key suppliers. Although alternative suppliers are readily available to provide the services or supplies required by the Group, any disruption to supply or transition between suppliers may adversely impact the Group's business until an alternative supplier can be engaged, and the costs of alternative supply may increase the Group's cost base.

#### *COVID-19 – Impact on the Group*

Following the global outbreak of COVID-19 in the UK, the trading of the Group was materially affected as the impact of lockdown and social distancing restrictions in the UK adversely impacted the Group's customers' ability to trade. COVID-19 specifically impacted revenue generated through the sale of products to vending machines through the Ambient Division and restaurants and bars in the Foodservice Division. As a result, the majority of staff in these areas of the business were furloughed and certain depots closed until such time as this customer base reopens. At the time of publication of this Document, the Directors are cautiously optimistic that trading in these areas of the Group will recover in line with the relaxation of the lockdown and social distancing restrictions set out by the UK Government.

In the event that further lockdown and social distancing restrictions in the UK are implemented, or that the timetable of relaxation as set out by the UK Government is delayed, the Directors would not expect trading in its Ambient or Foodservice Division to recover to historic levels and therefore the financial performance of the Group to be impacted. The Directors may also in this scenario have to take financial and operational decisions which may affect the future performance of the Group including, but not limited to, the use of further UK Government assisted job retention schemes and/or business loans and other types of finance that may be made available, a permanent reduction in the workforce of the Company and/or the reduction or withdrawal of dividend payments to Shareholders.

#### *Loss of key operating site*

The Group operates from a single head office, with six key distribution hubs based in Dunnington and Wakefield (Foodservice division), Peterlee, Luton and Brierley Hill (Frozen & Chilled division)

and North Shields (Ambient division). Loss of any one of these sites could seriously disrupt business activities.

The Group has 26 depots across the UK that include these six key distribution hubs. The impact of losing any one site is therefore mitigated to some degree, however a loss of a key distribution hub would negatively impact upon operations and service standards. The business interruption caused due to a loss of key operating site would be heightened where the site houses frozen goods, as a replacement location with the appropriate suitability requirements, including temperate moderated frozen storage, would be more difficult to locate in the short term.

Leases for certain of the Group's premises are due to expire within the next three years. Review of premises requirements and discussions with certain landlords are ongoing. Expiry of leases provide an opportunity to review and implement changes to the Group's warehouse requirements, however, it is possible that the Group may not be able to secure extension to current leases and/or identify appropriate new premises to relocate to, which can cause disruptions to the Group's operations and performance.

#### *Seasonal weather conditions*

The Group's sales from its Frozen Chilled division are subject to some seasonality, and adverse weather conditions can impact on the Group's sales. Ice cream sales in particular can experience seasonal business swings, which correspond to the generally higher temperatures in the spring and summer months. Unusually prolonged periods of cold, rain and other severe weather patterns could impact consumers' decisions to purchase goods associated with the spring and summer.

#### *Risk of goods delivery license being revoked*

Businesses trading using goods vehicles with over 3.5 tonnes gross plated weight or (where there is no plated weight) an unladen weight of more than 1,525kg to transport goods, require a goods vehicle operator license. A large proportion of the Group's vehicles are above 3.5 tonnes and require the Group to hold an appropriate national license. These license requirements include ensuring persons associated remain in good repute, and any convictions of those operating under the license are timely reported. Should regulatory action be taken against any member in the Group and any license be revoked due to such Group company operating outside of the terms of the license, this would significantly affect the ability to operate resulting in a material impact on the financial performance of the Group.

#### *Occupational Health and Safety Risk*

The Group is subject to health and safety regimes and has to comply with legislation concerning the protection of the health and welfare of employees. Despite the Group's internal policy decisions on safety, the training provided to employees, accident prevention and awareness, the risk of accidents/long-term health impacts cannot be excluded. Costs may be incurred, including fines, damages, and criminal or civil sanctions, or interruptions may result from, actual or alleged violations arising under any health and safety laws. The breach of health and safety laws may adversely affect the Group's reputation.

Key areas of health and safety risk within the business include, but are not limited to, the operation of forklift trucks and the loading and unloading requirements for delivery drivers at depots and customer locations. To mitigate against such risks the Group ensures appropriate training is given to all employees and supervisors are employed to steward safety.

#### *Reputation with customer base*

The Group's reputation is key to maintaining its existing customers and attracting new customers. Any reputational issues could have a material adverse effect on the business, results of operations, financial condition and prospects of the Group. The Group's large diverse customer base and wide variety of products help mitigate against this risk.

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

negative publicity or press speculation or deterioration in the overall performance of the Group generally.

*The Group operates in a competitive environment*

The Group may face significant competition, including from domestic and overseas competitors who may have: (i) greater capital and other resources than those of the Group; (ii) superior brand recognition to that of the Group; and/or (iii) more aggressive pricing policies than those of the Group. There is no assurance that the Group will be able to compete successfully in such a competitive marketplace and there can be no guarantee that existing clients will continue to use its services or that new clients can be won. Competitive pressures may reduce the margins available to the Group, thus impacting future profitability. The Directors believe that the Group has a strong reputation for delivery and high quality of service. However, were such standards not to be maintained, there is a risk that the Group's reputation and competitiveness would suffer which could have a material adverse effect on the Group's revenues, profits and financial condition.

In addition, a significant shift in market dynamics could lead to customers and/or suppliers facing difficulties which could have a material adverse effect on the business, results of operations, financial condition and prospects of the Group.

*Products and consumer health*

The UK government and health industries continue to discourage people from eating and drinking products with a high sugar, salt and alcohol content. Some of the products the Group offers will include high sugar content, therefore future initiatives could damage the Group's sales. Initiatives include the introduction of a 'sugar tax'. The Group has responded to these changes where possible, through changes undertaken in its own brand range, as evidenced through H.B. Clark (Successors) Limited, the Group's on-trade independent drinks wholesaler, through a reduction in the sugar content in its soft drinks.

The Group is somewhat protected against this risk in the medium-term, through an ability to alter its product mix or supply new/adapted products to meet demand and regulatory requirements.

Furthermore, the UK government and health industries continue to discourage people from smoking tobacco and tobacco related products. The Group has taken deliberate action to reduce its sales of these tobacco and tobacco related products, which is a lower margin income stream for the Group. The Group expects that it will continue to reduce the proportion of tobacco and tobacco related products over time.

*Changes in the cost, availability or terms of supply of packaging, ingredients and raw materials will affect the Group's operational and financial performance*

The Group's operations are affected by the prices, availability and terms of supply of raw materials, packaging and utilities which go into the products that the Group supplies. Operations may be interrupted or otherwise adversely affected by: delays or interruptions in the supply of products or materials from third-party suppliers; any change in the terms on which such supplies or materials are available; or the termination of any supplier arrangement where an alternative source of supply is not readily available on substantially similar terms. The Group's operations will also be indirectly affected by the prices of raw materials, packaging and utilities that go into the production of the products and goods the Group supplies.

In addition, increases in the costs of packaging, ingredients and raw materials for the goods related to the Group's Frozen & Chilled and Foodservice own brands could have a material impact on the Group's results of operations, financial condition and/or prospects. Prolonged rises in the costs of packaging, ingredients and raw materials may cause an increase in the price of a particular product or products and, as a result, may cause a material change in the demand for certain of the Group's products

*The day-to-day operations of the Group are at risk from disruption*

The day-to-day operations of the Group could be disrupted for reasons beyond the control of the Directors and/or the Company. The Company must also manage human and physical resources to ensure the continuity of its operations. There can be no assurance that business continuity plans will prove adequate in the event of any material disruption and any disruption may materially adversely affect the Group's ability to make and sell products and therefore materially adversely



affect its reputation, business, results of operation, financial condition and/or prospects. The key operational risks to which the Group are subject include:

- risk of fire damage: there can be no guarantee that the Group's insurance policies will be sufficient to insure the Group against all losses and liabilities arising from any fire damage to its manufacturing facilities, nor that fire insurance policies will in future remain available under the same terms as currently provided;
- risk of disruption to IT systems: IT systems are used by the Group to monitor stock levels and to process invoices and payments. Interruptions to the Group's IT systems may be caused by numerous factors, including loss of power, fire, severe weather conditions and any corruption of the systems. There can be no assurance that the contingency plans of the Group have in place from time to time will be sufficient to mitigate the adverse consequences of disruption to their IT systems and any such occurrences could adversely affect their operations; and

*Increased transportation costs or disruption of transportation services may materially and adversely affect the Group's business and financial results*

Should the cost of delivering the Group's products increase due to changes in the price or availability of fuel, or if the Group is otherwise unable to deliver its products economically, the results of the Group's operations and financial performance may be adversely affected. If the Group is unable to pass on the price difference to its customers, the Group's results and profits may be affected. To the extent that the market price for fuel or freight or the number or availability of carriers fluctuates, the Group's business, operating results, financial condition or prospects may be materially and adversely affected. In addition, temporary or long-term disruption of transportation services due to weather-related problems, strikes, lockouts or other events may impair the Group's ability to supply products affordably and in a timely manner or at all. These factors may affect the Group's commercial reputation and adversely affect the Group's business, operating results, financial condition or prospects.

*The Group's customers may not be creditworthy*

Credit risk is the risk of suffering financial loss should any of the Group's customers fail to fulfil their contractual obligations to the Group. The credit risk that the Group will face arises mainly in relation to customers (in so far as the Group is not insured for their payments). Should a tightening of the credit markets occur, some of the Group's customers may experience a decline in profits or reduced liquidity. The failure of customers or counterparties to fulfil their obligations to the Group could materially and adversely affect the Group's business, operating results, financial condition or prospects.

*Minimum Unit Pricing*

In May 2013, The Licensing Act 2003 (Mandatory Conditions) Order 2013 came into force in England and Wales, banning the sale of alcohol for less than the level of alcohol duty plus VAT. In 2018 the Scottish parliament voted to introduce minimum unit pricing for alcoholic drinks ("MUP") at a 50p per unit level.

The Directors believe that proposals outlined above would not currently have a material impact on the Group. However, if these proposals were significantly amended it could have an impact on the future trading prospects of the Group.

*Data security and IT reliability*

The Group has a certain degree of reliance on its IT infrastructure including the logistics, warehouse and CRM systems.

In addition to the existing IT infrastructure, the Group intends to make further acquisitions in the future, which may involve a period of transition and upgrades to IT to facilitate realisation of synergies and provision of combined management information. Although, any such upgrades are subject to testing and detailed planning, continued functionality cannot be guaranteed.

The risk exists that a major breach or malfunction of the Group's systems would cause significant disruption to the Group and would impact its performance. To minimise this risk management have a disaster recovery plan.



The Group relies to a significant degree on its IT systems to track inventory, manage its supply chain, record and process transactions, summarise results and manage its business. The Group's IT systems are also integral and critical to its ability to sell online. The failure of the Group's IT systems to operate effectively could adversely affect its business. In addition, the Group's IT systems may be subject to damage and/or interruption from power outages; computer, network and telecommunications failures; computer viruses; security breaches and usage errors by its employees. If the Group's IT systems are damaged or cease to function properly, it may have to make a significant investment to fix or replace them, and it may suffer loss of critical data and interruptions or delays in its operations. Any significant disruption in the Group's IT systems could have a material adverse effect on its business, results of operations and financial condition.

*The Group's IT systems may suffer breaches of security*

The Group's IT systems and operations may be vulnerable to unauthorised physical or electronic access and interruptions to internet system integrity generally as a result of cyber-attacks by computer hackers, viruses or other types of security breaches.

There can be no guarantee that the Group's security measures in relation to its computer, communication and information systems will protect it from all potential breaches of security and any such breach of security could have an adverse effect on the Group's business, results of operations and/or financial condition. The Group operates its IT systems across multiple sites in the UK. These sites are managed centrally by the Group and there is a risk that a catastrophic failure in one location may take time to resolve and could also affect central services to other companies in the Group.

*Operational costs*

Any change in the costs of operating the business could impact on the Group's profitability. Such cost increases could be driven by increases in supplier costs (including, amongst other things, rents for property leases or fuel costs) or increases in costs to be incurred due to regulatory change, e.g. following increases to the contribution required to be made by employers to employee pension schemes. Although such costs are accounted for where these can be estimated in future budgets for the Group) not all cost increases are capable of being estimated adequately in advance. However, it is expected competitors would be subject to similar commercial or regulatory cost increases.

*Retention of key staff*

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

The Group has entered into contractual arrangements to secure the services of the executive Directors (details of which are set out in paragraph 10 of Part VI of this Document). Whilst the executive Directors continue to have shareholdings in the business, the retention of their services cannot be guaranteed. Furthermore, the Directors or other key personnel, including the senior management team, may be unable to provide their services to the Group for reasons outside of their or the Company's control, for example for reason of poor health.

The success of the Group depends on the continued contributions of its executive officers and senior management team, both individually and as a group. The successful operation of the Company relies on the expertise and capabilities of its senior management and personnel, specifically Paul Young, David Brind and Ben Maxted. The departure of a key member of management could, therefore, have a detrimental effect on the operating performance of the Company and there can be no certainty that any such employee could be replaced in a timely manner by a suitably experienced candidate.

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

### *Future Strategy*

There can be no certainty that the Group will be able to implement successfully the strategy set out in this Document. The ability of the Group to implement its strategy in a competitive market will require effective management planning and operational controls.

## **GENERAL RISK FACTORS**

### *COVID-19 – Potential future impact on the Group*

The global outbreak of COVID-19, including within the UK, has created growing uncertainties for businesses and people in the effected regions which may have a potential impact on future supply and distribution chains and customers of the Group. The extent of the impact of COVID-19, the rate at which the virus spreads, the period for which it continues and the potential impact on businesses remains difficult to predict. It is therefore difficult to estimate any potential future financial impact on the Group.

At the time of the publication of this Document, the Directors do not foresee any immediate short-term supply issues and in the event of any future disruption, the Group will rely on its major supplies having the relevant planning in place to maintain of supply to the Group. The Directors continue to closely monitor the developing situation with regard to COVID-19 and the advice from the World Health Organisation and other relevant agencies. The health and safety of the Group's employees, customers, suppliers and partners, remains the priority consideration for the Group and its Directors.

### *Areas of investment risk*

The prices of publicly quoted securities can be volatile. The price of securities is dependent upon a number of factors, some of which are general or market or sector specific and others that are specific to the Company.

The Ordinary Shares will not be listed on the Official List of the FCA and although the Ordinary Shares will be traded on AIM, this should not be taken as implying that there will always be a liquid market in the Ordinary Shares. In addition, the market for shares in smaller public companies is less liquid than for larger public companies. Therefore, an investment in the Ordinary Shares may be difficult to realise and the price of the Ordinary Shares may be subject to greater fluctuations than might otherwise be the case.

An investment in shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List of the FCA. AIM has been in existence since June 1995 but its future success and liquidity in the market for the Ordinary Shares cannot be guaranteed.

The price at which investors may dispose of their Ordinary Shares may be influenced by a number of factors, some of which may pertain to the Company and others which are extraneous. On any disposal of their Ordinary Shares, investors may realise less than the original amount invested.

### *Liquidity and possible price volatility*

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

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

The value of the Ordinary Shares will therefore fluctuate and may not reflect their underlying asset value. Investors may realise less than the original amount invested. Admission should not be taken as implying that there will be a liquid market for the Ordinary Shares. It may be more difficult for an

investor to realise an investment in the Group than in a company whose shares are quoted on the Official List. In addition, the market price of the Ordinary Shares may not reflect the underlying value of the Group's net assets.

#### *Legislation*

This Document has been prepared on the basis of current legislation, regulation, rules and practices and the Directors' interpretation thereof. Such interpretation may not be correct and it is always possible that legislation, rules and practice may change. New laws, regulations or government policy or amendments to laws, regulations or Government policy could impact on the Company's business or give rise to significant additional costs covered in taxation risks.

#### *Economic, political, judicial, administrative, taxation or other regulatory matters*

In addition to the impact of the downturn of the world's economies, the Group may be adversely affected by other changes in economic, political, judicial, administrative, taxation or other regulatory or other unforeseen matters.

#### *AIM Rules for Companies*

Application will be made for the Ordinary Shares to be admitted to AIM. Admission to AIM will afford investors in the Company a lower level of regulatory protection than that afforded to investors in a company with a premium listing on the Official List, which would be subject to additional obligations under the Listing Rules. The AIM Rules for Companies are not as onerous as the rules that apply to companies on the Official List. Prospective investors should consider the risks of investing in an AIM company's shares and should make their decision to invest only after carefully considering the risks and, if appropriate, consulting with an independent financial adviser authorised under FSMA who specialises in advising on the acquisition of shares.

An investment in the Ordinary Shares is only suitable for investors capable of evaluating the risks (including the risk of capital loss) of such investment and who have sufficient resources to sustain a total loss of their investment. An investment in the Ordinary Shares should be seen as long-term in nature. Investors should not expect that they will necessarily be able to realise their investment in Ordinary Shares within a period that they would regard as reasonable. Accordingly, the Ordinary Shares may not be suitable for short-term investment.

The FCA has not examined or approved the contents of this Document.

#### *The United Kingdom's withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and the Group's business*

On 31 December 2020, the United Kingdom left the European Union. As at the date of this Document, the Directors have a lack of clarity about future United Kingdom laws and regulations to replace or replicate as part of the future UK-EU relationship, including financial laws and regulations, tax and free trade agreements, intellectual property rights and employment laws. Changes in laws and regulations could increase costs for the Group, depress economic activity and restrict the Group's access to capital.

Despite thoroughly considering any possible negative impact of the UK's decision to leave the EU on Kitwave, it is not possible to predict fully the effects the decision to leave may have on the Company or the wider economy in the long term. The Board have considered all factors they believe, at this time, could have a material adverse effect on the Group's business, revenue, financial condition, profitability, results, prospects and/or future operations.

#### *Taxation*

The attention of prospective investors is drawn to paragraph 16 of Part VI of this Document headed "Taxation". The tax rules and their interpretation relating to an investment in the Company may change during its life.

Any change in the Company's tax status or in taxation legislation or its interpretation could affect the value of the investments held in the Company or the Company's ability to provide returns to Shareholders or alter the post-tax returns to Shareholders. Representations in this Document concerning the taxation of the Company and its investors are based upon current tax law and practice which is, in principle, subject to change.

Current and prospective investors are strongly recommended to consult an independent financial adviser authorised under FSMA who specialises in investments of this nature before making any investment decision in respect of Ordinary Shares.

#### *Conditionality of the Placing*

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

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

Although it has no current plans to do so, other than in connection with Admission or under the Management Incentive Plan (see paragraph 4 of Part VI for more information), the Company may seek to raise financing to fund future acquisitions and other growth opportunities. The Company may, for these and other purposes, such as in connection with share incentive and share option plans, issue additional equity or convertible equity securities. As a result, the existing Shareholders at the time of such an issue may suffer dilution in their percentage ownership or the price of the Ordinary Shares may be adversely affected.

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

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

#### *Costs of being a public company*

As a public company, the Company will be required to comply with certain additional laws, regulations and requirements, including the requirements of AIM. Complying with these laws, regulations and requirements will occupy a significant amount of the time of the Board and management and will increase the Company's costs and expenses. The Company expects that compliance with these laws, regulations and requirements will increase its legal and financial compliance costs and is likely to require it to hire additional personnel or consultants. The Company cannot predict or estimate the amount of additional costs which it may incur or the timing of such costs.

In order to comply with these laws, regulations and requirements, the Company will need to:

- expand the roles and duties of its Board, its Board committees and management;
- institute more comprehensive compliance functions;
- evaluate and maintain its system of internal control over financial reporting, and report on management's assessment of it;
- prepare and distribute periodic public reports in compliance with the Company's obligations under applicable laws and regulations;
- implement more comprehensive internal policies, such as those relating to disclosure controls and procedures and insider trading; and
- involve, to a greater degree, outside counsel and accountants in the above activities.

If the Company fails to take all or any of these actions its ability to report its financial results accurately and in a timely manner could be impaired.

**PART III**  
**HISTORICAL FINANCIAL INFORMATION**  
**SECTION A – ACCOUNTANT’S REPORT**

The Directors  
Kitwave Group plc  
Unit S3  
Narvik Way  
Tyne Tunnel Trading Estate  
North Shields  
Tyne and Wear  
NE 29 7XJ

7 May 2021

Ladies and Gentlemen

**Kitwave Group plc**

We report on the financial information set out on pages 57 to 100 for the two years ended 30 April 2018 and 30 April 2019 and the 18 month period ended 31 October 2020. This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

**Opinion on financial information**

In our opinion, the financial information gives, for the purposes of the AIM Admission Document dated 7 May, a true and fair view of the state of affairs of Kitwave Group plc as at 30 April 2018, 30 April 2019 and 31 October 2020 and of its profits/losses, cash flows and changes in equity for the two years ended 30 April 2018 and 30 April 2019 and 18 months ended 31 October 2020 in accordance with the basis of preparation set out in note 1.3 and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 (“Adopted IFRSs”) as described in note 1.

**Responsibilities**

The Directors of Kitwave Group plc are responsible for preparing the financial information on the basis of preparation set out in note 1.3 to the financial information in accordance with Adopted IFRSs.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

**Basis of Preparation**

The financial information has been prepared for inclusion in the AIM Admission Document dated 7 May 2021 of Kitwave Group plc on the basis of the accounting policies set out in note 1.

**Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom (the ‘FRC’). We are independent, and have

fulfilled our other ethical responsibilities, in accordance with the relevant ethical requirements of the FRC's Ethical Standard as applied to Investment Circular Reporting Engagements.

Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

### **Conclusions Relating to Going Concern**

The Directors of Kitwave Group plc have prepared the financial information on the going concern basis as they do not intend to liquidate the entity or to cease its operations, and as they have concluded that the entity's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial information ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial information.

We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of reference to a material uncertainty in this report is not a guarantee that the entity will continue in operation.

### **Declaration**

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the AIM Admission Document and declare that, to the best of our knowledge, the information contained in this report is in accordance with the facts and that the report makes no omission likely to affect its import. This declaration is included in the AIM Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

KPMG LLP



## SECTION B – ANNUAL HISTORIC FINANCIAL INFORMATION

### Consolidated Statements of Profit and Loss and Other Comprehensive Income

		Year ended 30 April 2018 £000	Year ended 30 April 2019 £000	18 months ended 31 October 2020 £000
	<i>Note</i>			
<b>Revenue</b>	3	341,301	366,584	592,016
Cost of sales		(283,820)	(302,550)	(484,842)
<b>Gross profit</b>		57,481	64,034	107,174
Other operating income	4	(14)	16	3,020
Distribution expenses		(21,027)	(24,136)	(44,014)
Administrative expenses		(26,450)	(28,342)	(54,156)
<b>Operating profit</b>		9,990	11,572	12,024
<i>Analysed as:</i>				
Adjusted EBITDA		12,407	14,577	27,634
Depreciation	11	(2,369)	(2,804)	(11,013)
Amortisation of intangible assets	10	—	—	(144)
Restructuring costs	5	(48)	(201)	(1,467)
Acquisition expenses	5	—	—	(628)
Compensation for post combination services	5	—	—	(2,358)
<b>Total operating profit</b>		9,990	11,572	12,024
Finance expenses		(5,309)	(6,385)	(10,719)
<i>Analysed as:</i>				
Interest payable on bank loans and bank facilities	7	(1,986)	(1,905)	(2,805)
Interest and finance charges payable on loan notes and debenture loans	7	(4,577)	(4,908)	(7,788)
Finance charges on financial leases	7	(35)	(109)	(1,579)
Fair value movement on financial liabilities	7	1,289	537	1,453
<b>Financial expense</b>		(5,309)	(6,385)	(10,719)
<b>Profit before tax</b>		4,681	5,187	1,305
Tax on profit	8	(1,248)	(1,530)	(1,805)
<b>Profit/(loss) for the financial period</b>		3,433	3,657	(500)
<b>Other comprehensive income</b>		—	—	—
<b>Total comprehensive income for the period</b>		3,433	3,657	(500)
<b>Basic earnings per share attributable to B1 shares</b>	9	61.30	65.30	(8.94)
<b>Diluted earnings per share attributable to B1 shares</b>	9	61.30	65.30	(8.94)
<b>Non-GAAP measures</b>				
Basic underlying earnings per share attributable to B1 shares	9	38.98	59.30	42.72
Diluted underlying earnings per share attributable to B1 shares	9	38.98	59.30	42.72

## Consolidated Balance Sheets

		30 April 2018 £000	30 April 2019 £000	31 October 2020 £000
	Note			
<b>Non-current assets</b>				
Goodwill	10	27,112	27,311	31,249
Intangible assets	10	—	—	412
Property plant and equipment	11	9,183	9,935	9,310
Right-of-use assets	11	—	—	20,600
Investments	12	20	20	20
Investment Property	13	—	—	175
		36,315	37,266	61,766
<b>Current assets</b>				
Inventories	16	31,373	32,622	23,198
Other financial assets	14	69	—	—
Trade and other receivables	17	49,139	52,395	44,558
Cash and cash equivalents	18	957	1,205	342
		81,538	86,222	68,098
<b>Total assets</b>		117,853	123,488	129,864
<b>Current liabilities</b>				
Interest bearing loans and borrowings	20	26,021	26,113	17,681
Lease liabilities (2018:2019 Finance lease liabilities)	20	636	904	5,202
Trade and other payables	19	48,427	47,429	40,307
Tax payable		1,291	2,419	1,984
		76,375	76,865	65,174
<b>Non-current liabilities</b>				
Interest bearing loans and borrowings	20	35,360	36,132	43,079
Lease liabilities (2018:2019 Finance lease liabilities)	20	1,837	3,139	16,200
Other financial liabilities	15	7,400	6,863	5,410
Deferred tax liabilities	21	91	42	54
		44,688	46,176	64,743
<b>Total liabilities</b>		121,063	123,041	129,917
<b>Net assets/(liabilities)</b>		(3,210)	447	(53)
<b>Equity attributable to equity holders of the parent</b>				
Called up share capital	23	1	1	1
Share premium account	23	12,993	12,993	12,993
Consolidation reserve	23	(33,098)	(33,098)	(33,098)
Retained earnings		16,894	20,551	20,051
<b>(Accumulated deficit)/Equity</b>		(3,210)	447	(53)

## Statements of Change in Equity

	Called up share capital £000	Share premium account £000	Consolidation reserve £000	Profit and loss account £000	Total equity £000
<b>Balance at 30 April 2017</b>	<b>1</b>	<b>12,993</b>	<b>(33,098)</b>	<b>13,461</b>	<b>(6,643)</b>
Total comprehensive income for the period					
Profit	—	—	—	3,433	3,433
Other comprehensive income	—	—	—	—	—
Total comprehensive income for the period	—	—	—	3,433	3,433
Transaction with owners, recorded directly in equity	—	—	—	—	—
Total contribution by and distribution to owners	—	—	—	—	—
<b>Balance at 30 April 2018</b>	<b>1</b>	<b>12,993</b>	<b>(33,098)</b>	<b>16,894</b>	<b>(3,210)</b>
Total comprehensive income for the period					
Profit	—	—	—	3,657	3,657
Other comprehensive income	—	—	—	—	—
Total comprehensive income for the period	—	—	—	3,657	3,657
Transaction with owners, recorded directly in equity	—	—	—	—	—
Total contribution by and distribution to owners	—	—	—	—	—
<b>Balance at 30 April 2019</b>	<b>1</b>	<b>12,993</b>	<b>(33,098)</b>	<b>20,551</b>	<b>447</b>
Total comprehensive income for the period					
Profit	—	—	—	(500)	(500)
Other comprehensive income	—	—	—	—	—
Total comprehensive income for the period	—	—	—	(500)	(500)
Transaction with owners, recorded directly in equity	—	—	—	—	—
Total contribution by and distribution to owners	—	—	—	—	—
<b>Balance at 31 October 2020</b>	<b>1</b>	<b>12,993</b>	<b>(33,098)</b>	<b>20,051</b>	<b>(53)</b>

## Consolidated Cash Flow Statements

		Year ended 30 April 2018 £000	Year ended 30 April 2019 £000	18 months ended 31 October 2020 £000
	Note			
<b>Cash flow statement</b>				
<b>Cash flow from operating activities</b>				
Profit for the period		3,433	3,657	(500)
Adjustments for:				
Depreciation and impairment	10-11	2,369	2,804	11,157
Financial expense	7	5,309	6,385	10,719
Loss/(profit) on sale of property, plant and equipment	4	14	(16)	(5)
Compensation for post combination services	5	—	—	2,358
Taxation		1,248	1,530	1,805
		12,373	14,360	25,534
(Increase)/decrease in trade and other receivables		(512)	(3,247)	19,425
(Increase)/decrease in inventories		(1,952)	(1,249)	11,456
(Decrease) in trade and other payables		(1,202)	(1,096)	(17,867)
		8,707	8,768	38,548
Tax paid		(286)	(452)	(2,693)
<b>Net cash from operating activities</b>		<b>8,421</b>	<b>8,316</b>	<b>35,855</b>
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment		(1,338)	(963)	(3,125)
Proceeds from sale of property, plant and equipment		181	262	358
Acquisition of subsidiary undertakings (including overdrafts and cash acquired)	2	—	(167)	(13,535)
Payments in respect of previous acquisitions		(96)	(55)	—
Cash consideration on reverse acquisition		(1,267)	—	—
<b>Net cash from investing activities</b>		<b>(2,520)</b>	<b>(923)</b>	<b>(16,302)</b>
<b>Cash flows from financing activities</b>				
Proceeds from new loan		—	—	5,000
Net movement in invoice discounting		(863)	634	(6,941)
Interest paid		(3,850)	(3,986)	(5,969)
Net movement in bank trade loans		(335)	(542)	(2,270)
Repayment of bank term loans		(2,613)	(2,091)	(3,063)
Payment of finance lease liabilities		(648)	(1,160)	(7,173)
<b>Net cash from financing activities</b>	20	<b>(8,309)</b>	<b>(7,145)</b>	<b>(20,416)</b>
Net (decrease)/increase in cash and cash equivalents		(2,408)	248	(863)
Opening cash and cash equivalents		3,365	957	1,205
<b>Cash and cash equivalents at period end</b>	18	<b>957</b>	<b>1,205</b>	<b>342</b>

## Notes

### 1 Accounting policies

The Company is a private company incorporated, domiciled and registered in England in the UK. The registered number is 9892174 and the registered address is Unit S3, Narvik Way, Tyne Tunnel Trading Estate, North Shields, Tyne and Wear, NE29 7XJ.

The financial information has been prepared for the purposes of the Admission Document in accordance with the requirements of Paragraph (1) of Schedule Two of the AIM Rules for companies and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs").

The financial information is presented on the basis of the accounting policies and practices of the Company as will be applied in the first published financial statements following Admission. New Standards issued during the three reported periods of this financial information are principally IFRS 9, IFRS 15 and IFRS 16. IFRS 9 and IFRS 15 have both been applied fully retrospectively and therefore throughout all three financial periods. The impact of these standards was not material and no adjustment to equity arose in the year of adoption.

IFRS 16 Leases has been applied from 1 May 2019 in accordance with its transitional provisions, namely using the modified retrospective method of adoption. The impact on transition is detailed in note 1.19.

The financial information presented within this document for the financial years ended 30 April 2018, 30 April 2019 and the 18 month financial period to 31 October 2020 does not comprise the consolidated statutory accounts of the Group for those periods.

The statutory accounts for those periods have been reported on by the Company's auditor and those for the financial years ended 30 April 2018 and 30 April 2019 have been delivered to the Registrar of Companies. Those for the 18 month financial period to 31 October 2020 will be delivered in due course. The reports of the auditor for all three periods were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The Annual Reports, including the auditor's report, can be obtained free of charge on request to the company at Unit S3, Narvik Way, Tyne Tunnel Trading Estate, North Shields, Tyne and Wear, NE29 7XJ.

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 1.1.

#### 1.1 Critical accounting estimates and judgements

The preparation of financial statements requires the Directors to make judgements, estimates and assumptions concerning the future performance and activities of the Group. There are no significant judgements applied in the preparation of these financial statements. Estimates and assumptions are based on the historical experience and acquired knowledge of the Directors, the result of which forms the basis of the judgements made about the carrying value of assets and liabilities that are not clear from external sources. Actual results may differ from these estimates and those which are major sources of estimation uncertainty at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year are as follows:

##### *Fair valuation of the put option liability*

The fair value of the put option liability, which is described in note 20 of these financial statements, has been assessed by the Group. The valuation is based on estimates of the forecast Group Enterprise Value, net of debt, as at March 2024. The estimates also take into account the historical accuracy of forecasting and the sensitivity of the valuation to changes in forecasts.

##### *Impairment of trade receivables*

IFRS 9, Financial Instruments, requires that provisioning for financial assets needs to be made on a forward-looking expected credit loss model. This requires management to consider historic, current and forward-looking information to determine the level of provisioning required.

Management has assessed the ageing of the trade receivables, their knowledge of the Group's customer base, and other economic factors as indicators of potential impairment. Further information is considered in note 26 of these financial statements.

### **1.2 Measurement convention**

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments classified at fair value through the profit or loss, unlisted investments and investment property.

### **1.3 Going concern**

The financial information has been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

As part of the food supply industry, the Group continued to trade throughout the COVID-19 pandemic and the financial position and performance of the Group has remained robust through this challenging period. The impact of COVID-19 on the Group's customers has been most notable in the Foodservice division and within Vending customers in the Retail Ambient divisions. Revenue amongst this customer base has been adversely impacted following Government led closures of customers' operations in the 'out of home' sector covering cafes, restaurants, bars and hotels. Conversely, revenue in the Group's other divisions and market segments has been strong, with like for like revenue growth in the period. The Group has made use of the Coronavirus Job Retention Scheme in affected divisions and has also restructured operations to further mitigate the loss in revenue. The Group is cash generative and generated £38,500,000 of cash from operating activities (before tax payments) in 2020, illustrating the strong underlying operating model of the Group.

The Group has prepared financial forecasts and projections for a period of at least 12 months from the date of approval of this financial information (the "going concern assessment period"), which take into account possible downsides including the anticipated impact of COVID-19 on the operations and its financial resources. These include the possibility of two further month-long Government-imposed lockdowns on the previously impacted divisions in the going concern assessment period. These forecasts show that the Group will have sufficient levels of financial resources available both to meet its liabilities as they fall due for that period and comply with covenant requirements.

These financial forecasts and projections for a period of at least 12 months from the date of approval of this financial information do not take into account the changes to the financial position of the Group which would occur if an IPO takes place. If an IPO takes place, the expected proceeds from issuing new shares will be used to repay part of the existing debt of the Group with a consequential reduction in the finance costs thereafter.

These forecasts with or without the IPO taking place show that the Group will have sufficient levels of financial resources available both to meet its liabilities as they fall due for that period and comply with covenant requirements.

On the 1 March 2016 the entire Share Capital of Kitwave One Limited was acquired by a newco structure including Kitwave Investments Limited and the Company. This refinancing deal has enabled the Group to continue its strategy of growth with funds of £25,500,000 being raised from Pricoa Capital Group and co-investment partner Allstate.

At the time of this refinancing the existing principal debt facilities, comprising bank term loans and NVM Loan Notes were repaid in full and replaced by the new funds. The principal funding facilities now comprise bank senior loan facilities and Investor mezzanine and subordinated unsecured loans. The Group also renewed trade loan and receivable financing facilities to support the ongoing working capital needs of the Group, and these facilities continue to be in place. During FP20, the Group extended its debt facilities as reflected in note 20, and continues to manage its day to day working capital requirements through cash generated from operations and through its invoice discounting facility.

Consequently, the Directors are confident that the Group and Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial information on a going concern basis.



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

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 October 2020. A subsidiary undertaking is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company is exposed to, or has rights to, variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

In respect of the legal acquisition of Kitwave One Limited by the Company in the year ended 30 April 2017, the principles of reverse acquisition have been applied under IFRS 3. The Company, via its 100% owned subsidiary Kitwave Investments Limited, is the legal acquirer of Kitwave One Limited but Kitwave One Limited was identified as the accounting acquirer of the Company. The assets and liabilities of the Company and the assets and liabilities of Kitwave One Limited continued to be measured at book value. By applying the principles of reverse acquisition accounting the Group is presented as if the Company has always owned Kitwave One Limited. The comparative consolidated reserves of the Group were adjusted to reflect the statutory share capital and share premium of the Company as if it had always existed, adjusted for movements in the underlying Kitwave One Limited's share capital and reserves until the date of the acquisition. A consolidation reserve was created which reflects the difference between the capital structure of the Company and Kitwave One Limited at the date of acquisition less any cash and deferred cash consideration for the transaction.

#### **1.5 Foreign Currency**

Transactions in foreign currencies are translated to the Group companies' functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

#### **1.6 Classification of financial instruments**

##### *Financial assets*

Financial assets are classified at initial recognition, and subsequently measured at amortised cost, Fair Value through Comprehensive Income ("FVOCI") or Fair Value through Profit or Loss ("FVTPL"). The classification of financial assets under IFRS 9 is based on two criteria:

- the Group's business model for managing the assets; and
- whether the instruments' contractual cash flows represent 'Solely Payments of Principal and Interest on the principal amount outstanding (the "SPPI criterion").

A summary of the Group's financial assets is as follows:

Interest Rate cap	Fair value through profit or loss
Trade and other receivables*	Amortised cost – hold to collect business model and SPPI met
Cash and short-term deposits	Amortised cost

##### *Financial liabilities*

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

- (a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

A summary of the Group's financial liabilities is as follows:

Put option liability	Fair value through the profit or loss
Contingent payments	Fair value through the profit or loss
Bank loans and overdrafts	Amortised cost
Trade and other payables*	Amortised cost

\* Prepayments, other receivables, other taxation and social security payables and other payables do not meet the definition of financial instruments.

Further information is included in note 26

### **1.7 Non derivative financial instruments**

#### *Trade and other receivables*

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

#### *Trade and other payables*

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

#### *Cash and cash equivalents*

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

#### *Interest-bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

#### *Invoice discounting*

The Group is party to an invoice discounting arrangement which provides additional working capital up to the value of a set proportion of its trade receivables balances. The advances are secured against trade receivables (note 17). These are repayable within 90 days of the invoice and carry interest at a margin of 1.75%. This facility expires in 2023. The net movement of the balance is disclosed in the cash flow statement.

#### *Equity investments*

Equity investments are instruments that meet the definition of equity from the issuer's perspective: that is they do not contain an obligation to pay and provide a residual interest in the assets of the issuer. Equity investments are held at fair value through the profit and loss account.

#### *Investment property*

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at fair value. Any gain or loss arising from a change in fair value is recognised in profit or loss.

## **1.8 Other financial instruments**

### *Derivative financial instruments*

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. No hedge accounting has been applied.

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

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described at 1.19 below.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- Leasehold property                      straight line over the term of the lease
- Plant and machinery                      15-20% reducing balance
- Fixtures and fittings                      15-20% reducing balance
- Motor vehicles                              15-25% reducing balance and straight line
- Other Equipment                              20-25% straight line

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

## **1.10 Business Combinations**

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

At the acquisition date, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of the contingent consideration (see below); plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

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

Any contingent consideration payable is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

### *Acquisitions prior to the date of transition to IFRSs*

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The Group and Company elected not to restate business combinations that took place prior to transition date of 1 May 2015. In respect of acquisitions prior to 30 April 2015, goodwill is included at transition date on the basis of its deemed cost, which represents the amount recorded under UK GAAP which was broadly comparable save that only separable intangibles were recognised, and goodwill was amortised. On transition, amortisation of goodwill ceased as required by IFRS 1.

### **1.11 Intangible assets and goodwill**

#### *Goodwill*

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units ("CGUs") and is not amortised but is tested annually for impairment.

#### *Intangible assets*

Intangible assets are stated at costs less accumulated amortisation. They relate to capitalised software and development costs and are being amortised on a straight line basis over 4 years.

### **1.12 Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle.

The Group participates in rebate schemes with their suppliers. Where the rebate earned relates to inventories which are held by the Group at the period end, the rebates are deducted from the cost of those inventories.

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

#### *Non derivative financial assets – trade receivables*

The Group recognises loss allowance for Expected Credit Losses ("ECLs") on trade receivables measured at amortised cost.

The Group measures loss allowances at an amount equal to lifetime ECLs as the term of the asset is considered short.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward looking information.

The Group utilises the practical expediency for short term receivables by adopting the simplified 'matrix' approach to calculate expected credit losses. The provision matrix is based on an entity's historical default rates over the expected life of the trade receivables as adjusted for forward looking estimates.

The Group assumes that the credit risk on a financial asset has increased if it is aged more than 90 days since delivery. This is not relevant in all cases and management use its historical experience and knowledge of the customer base to assess whether this is an indicator of increased risk on a customer by customer basis.

The Group considers the financial asset to be in default when the borrower is unlikely to pay its obligations or has entered a formal insolvency process or other financial reorganisation.

Loss allowances for financial assets measured at amortised costs are deducted from the gross carrying amount of the assets.

#### *Non-financial assets*

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

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

operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

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

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

### **1.14 Employee benefits**

#### *Defined contribution plans and other long term employee benefits*

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

#### *Share-based payment transactions*

Share-based payment transactions in which the Group receives goods or services by incurring a liability to transfer cash or other assets that is based on the price of the Group's equity instruments are accounted for as cash-settled share-based payments. The fair value of the amount payable to employees is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is remeasured at each balance sheet date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

Under IFRS 3 the contingent payment which has been agreed for the remaining 25% of the share in Central Supplies (Brierley Hill) Ltd is classified as remuneration for post-combination services, as consideration for the shares is linked to an employment condition.

### **1.15 Provisions**

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

### **1.16 Revenue**

IFRS 15 "revenue from contracts with customers" has been adopted with effect from 1 May 2015. The standard establishes a principles-based approach for revenue recognition and is based on the concept of recognising revenue for performance obligations only where they are satisfied, and the control of goods or service is transferred. In doing so, the standard applies a five-step approach to the timing of revenue recognition and applies to all contracts with customers, except those in the scope of other standards. It replaces the separate models for goods, services and construction contracts under the previous accounting standards. Following an assessment of the impact of IFRS 15 and based on the straight forward nature of the Group's revenue streams with the recognition of revenue at the point of sale and the absence of significant judgement required in determining the timing of transfer of control, the adoption of IFRS 15 has not had a material impact on the timing or nature of the Group's revenue recognition.

The principal performance obligation is discharged on delivery/collection of the products by the customer at which point control of the goods has transferred. Customer discounts and rebates

comprise variable consideration and are accounted for as a reduction in the transaction price, based on the most likely outcome basis.

The most likely outcome model is used due to the simple nature of rebate agreements and the limited number of possible outcomes – has the customer achieved the required level of purchases or not.

### **1.17 Expenses**

#### *Operating lease payments*

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

#### *Finance lease payments*

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

#### *Financing income and expenses*

Financing expenses comprise interest payable, finance charges on put option liability and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Financing income comprise interest receivable on funds invested, finance income on the put option liability, and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

### **1.18 Taxation**

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

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

### **1.19 Adoption of IFRS 16**

For the period ending 31 October 2020, IFRS 16, Leases, has become effective and replaces the requirements of IAS17 Leases. The Group has adopted the requirements of IFRS 16 using the modified retrospective approach, with comparatives continuing to be reported under IAS 17.

An asset representing the Group's right as a lessee to use a leased item and a liability for the associated future lease payments has been recognised for all leases, subject to limited exemptions for short-term leases and low-value assets. The cost of leases has been recognised in the consolidated income statement split between depreciation of the lease asset and a finance charge



on the lease liability. This is similar to the accounting for finance leases under IAS 17, but different to the accounting for operating leases (under which no lease asset or lease liability was recognised, and operating lease rentals were charged to the consolidated income statement on a straight-line basis).

The Group applied the following measures/exemptions available on transition to IFRS 16, to leases previously classified as operating leases:

- On transition the Group has applied IFRS 16 only to those contracts that were previously identified as containing a lease. Contracts previously identified as not containing leases under IAS 17 were not reassessed;
- The Group has not recognised right-of-use assets and liabilities for leases of low value or for which the lease term ends within 12 months of the date of initial application, on a lease-by-lease basis;
- The Group has applied a single discount rate to a portfolio of leases with reasonable similar characteristics (such as leases in a similar class of underlying asset);
- The Group has excluded any initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- The Group may use hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

Adopting the modified retrospective approach on transition resulted in the Group's opening balance sheet being adjusted for right-of-use assets of £14,641,000 with corresponding lease liabilities in the order of £14,641,000.

On adoption, the lease liabilities recognised were based on the future lease liabilities discounted at the Groups incremental borrowing rate applicable to each asset class as follows:

- Motor vehicles – 3.5%
- Fork lift trucks – 4.5%
- Other plant and equipment – 6.5%
- Property – 5%

The incremental borrowing rates are reflective of rates implicit in other financing agreements made pre and post transition within the same asset class.

The property rate is lower than the Group's weighted average cost of capital based on the security of the underlying assets.

The table below shows a reconciliation from the total operating lease commitment as at 30 April 2019 to the total lease liabilities recognised in the accounts immediately after transition:

	<b>1 May 2019 £000</b>
Operating lease commitment on 30 April 2019 as disclosed in in note 24	<b>18,495</b>
Discounted using the incremental borrowing rates	<b>(3,424)</b>
Recognition exemption for short and low value leases	<b>(430)</b>
Transferred from tangible fixed assets	<b>4,043</b>
Total lease liabilities recognised on 1 May 2019	<b>18,684</b>

The balance of right-of-use assets at 31 October 2020 was £20,600,000 and lease liabilities were £21,402,000.

As a result of adopting IFRS 16, the Group's profit before tax has decreased by £604,000 and operating profit has increased by £802,000.

This is a result of an increase in Adjusted EBITDA of £6,904,000 due to the replacement of lease rental charges for additional depreciation on right-of-use assets of £6,102,000.

Offsetting the additional finance charges on lease liabilities of £1,406,000 on the recognised financial lease liabilities

Depreciation is charged on a straight-line basis; however, interest is charged on the outstanding lease liabilities and will therefore be higher in the earlier years, decreasing over time. This has resulted in the reduction in the Group's profit before tax.

The impact on the Group's results as a result of the adoption of IFRS 16 in the period to 31 October 2020 is summarised below:

	<b>30 April 2018 £000</b>	<b>30 April 2019 £000</b>	<b>31 October 2020 Pre IFRS 16 £000</b>	<b>IFRS 16 adjustments £000</b>	<b>31 October 2020 £000</b>
Total assets	117,853	123,488	<b>113,344</b>	16,520	<b>129,864</b>
Total liabilities	121,063	123,041	<b>112,794</b>	17,123	<b>129,917</b>
Adjusted EBITDA	12,407	14,577	<b>20,730</b>	6,904	<b>27,634</b>
Operating profit	9,990	11,572	<b>11,222</b>	802	<b>12,024</b>
Profit before tax	4,681	5,187	<b>1,909</b>	(604)	<b>1,305</b>

On a cashflow basis the impact of the adoption of IFRS 16 is £nil and the adoption of the standard will have no impact on the assessment of capital investment.

The key sensitivities relating to the above include the discount rate used to assess each class of lease, by reference to the underlying asset as permitted using the modified approach to transition, and the renewal of leases due to expire in the short term.

No reasonable variation in the applied discount rates results in a material variance in the asset or liability values recognised.

There were no leases including variable payments.

### **1.20 Government Grants**

The Group has elected to present grants related to income separately under the heading "Other income" within the profit and loss account. This income represents the funding provided by the Government in relation to the Coronavirus Job Retention Scheme.

This funding is applicable on furlough of employees subject to Government criteria which has been met in each operating entity. The Directors do not consider there to be a material risk that any funding received will be repayable.

### **1.21 Exceptional items**

Exceptional items are defined as income or expenses that arise from events or transactions that are clearly distinct from the normal activities of the Group and therefore are not expected to recur frequently or regularly.

Such items have been separately presented to enable a better understanding of the Group's operating performance. Details of exceptional items are presented in note 5.

## **2 Acquisitions**

### **Acquisitions in the 18 month period ended 31 October 2020**

#### *Central Supplies (Brierley Hill) Ltd*

On 5 August 2019, the Group acquired 75% of the share capital of Central Supplies (Brierley Hill) Ltd for a total consideration of £6,558,000. The remaining share capital is subject to an agreement to acquire it within 4 years of the acquisition, further details are given below. The resulting goodwill of £1,248,000 was capitalised and is subject to annual impairment testing under IAS 36.

The acquisition had the following effect on the Group's assets and liabilities:

	<b>Fair value £000</b>
<b>Non-current assets</b>	
Property, plant and equipment (note 11)	2,970
Investment property	175
Right-of-use assets	2,155
<b>Current assets</b>	
Inventories	1,407
Trade and other receivables	7,131
Intercompany	3,135
<b>Total assets</b>	<b>16,973</b>
<b>Current liabilities</b>	
Interest bearing loans and borrowings	(3,487)
Lease liabilities	(512)
Trade and other payables	(5,495)
Corporation tax	(437)
<b>Non-current liabilities</b>	
Lease liabilities	(1,643)
Deferred tax	(89)
<b>Total liabilities</b>	<b>(11,663)</b>
<b>Net identifiable assets and liabilities</b>	<b>5,310</b>
Goodwill (note 10)	1,248
<b>Purchase consideration</b>	<b>6,558</b>
Consideration costs paid in period	6,558

The business was acquired as part of the Group's growth strategy. Significant control was obtained through the acquisition of 75% of the share capital.

No material intangible assets were identified. Goodwill represents buying and other operating synergies.

The acquired undertaking made a profit of £780,000 from the beginning of its financial year to the date of acquisition. In its previous financial year the profit was £818,000 before revaluations.

Following acquisition, the business contributed revenue of £80,493,000 and operating profit of £2,644,000 to the Group for the period ended 31 October 2020.

If the business had been acquired at the start of the Group's financial period, being 1 May 2019, it would have added £96,635,000 to Group revenue and £3,185,000 to Group operating profit for the period ended 31 October 2020

A contingent payment, based on a fixed formula, has been agreed for the remaining 25% of the share in Central Supplies (Brierley Hill) Ltd. The payment is based on an employment condition under IFRS 3 and is therefore classed as remuneration for post-combination services. Consequently, no non-controlling interest is recognised, and goodwill is measured as the difference between the initial consideration and 100% of the acquired company's net assets.

The contingent payment liability is measured at fair value through the P&L discounted at a high-quality corporate bond rate. The estimated liability is accrued evenly throughout the vesting period being two years from acquisition. The Group has a call option to buy the remaining 25% share capital should the put option not be triggered by the 25% shareholders. This can be triggered 4 years following acquisition.

Further detail on the calculation of this liability is detailed within note 26.

#### *Alpine Fine Foods Limited*

On 29 October 2019, the Group acquired the entire share capital of Alpine Fine Foods Limited for a total consideration of £2,505,000. The resulting goodwill of £2,690,000 was capitalised and is subject to annual impairment testing under IAS 36.

The acquisition had the following effect on the Group's assets and liabilities:

	<b>Fair value £000</b>
<b>Non-current assets</b>	
Property, plant and equipment (note 11)	1,321
Right-of-use assets	355
<b>Current assets</b>	
Inventories	625
Trade and other receivables	1,323
<b>Total assets</b>	<b>3,624</b>
<b>Current liabilities</b>	
Interest bearing loans and borrowings	(981)
Lease liabilities	(261)
Trade and other payables	(1,060)
Intercompany	(1,341)
Corporation tax	(50)
<b>Non-current liabilities</b>	
Lease liabilities	(144)
Deferred tax	28
<b>Total liabilities</b>	<b>(3,809)</b>
<b>Net identifiable assets and liabilities</b>	<b>(185)</b>
Goodwill (note 10)	2,690
<b>Purchase consideration</b>	<b>2,505</b>
Consideration costs paid in period	2,505

The business was acquired as part of the Group's growth strategy. Significant control was obtained through the acquisition of 100% of the share capital.

No material intangible assets were identified. Goodwill represents buying and other operating synergies.

The acquired undertaking made a profit of £232,000 from the beginning of its financial year to the date of acquisition. In its previous financial year the loss after tax was £38,000.

Following acquisition, the business contributed revenue of £3,831,000 and operating profit of £11,000 to the Group for the period ended 31 October 2020.

If the business had been acquired at the start of the Group's financial period, being 1 May 2019, it would have added £10,537,000 to Group revenue and £222,000 to Group operating profit for the period ended 31 October 2020

The trade and assets of Alpine Fine Foods Limited were hived up into David Miller Frozen Foods Limited on 24 February 2020

### **Acquisitions in the year ended 30 April 2019**

#### *Wignalls Wholesale Suppliers Limited*

On 27 February 2019, the Group acquired the trade and assets of Wignalls Wholesale Suppliers Limited for a total consideration of £167,000. The resulting goodwill of £199,000 was capitalised and is subject to annual impairment testing under IAS 36.

The acquisition had the following effect on the Group's assets and liabilities:

	<b>Fair value £000</b>
<b>Current assets</b>	
Inventories	11
Trade and other receivables	34
	<hr/>
<b>Total assets</b>	45
	<hr/>
<b>Current liabilities</b>	
Trade and other payables	(77)
	<hr/>
<b>Total liabilities</b>	(77)
	<hr/>
Net identifiable assets and liabilities	(32)
Goodwill (note 10)	199
	<hr/>
<b>Purchase consideration</b>	<b>167</b>
	<hr/>
Consideration paid in cash in year	167
	<hr/>

No material intangible assets were identified. Goodwill represents buying and other operating synergies with the Group's Ambient division.

On acquisition the trade was immediately incorporated into the trade of Teatime Tasties Limited without separately identifying profit generated thereafter.

### **Acquisitions prior to the year ended 30 April 2018**

Deferred consideration of £nil (2019: £55,000; 2018: £96,000) was paid in FP20 in relation to acquisitions prior to this financial information.

## **3 Segmental information**

The following analysis by segment is presented in accordance with IFRS 8 on the basis of those segments whose operating results are regularly reviewed by the Board (the Chief Operating Decision Maker as defined by IFRS 8) to assess performance and make strategic decisions about allocation of resources

The Group has the following operating and reporting segments:

- **Ambient:** Provides delivered wholesale of ambient food, drink and tobacco products;
- **Frozen & Chilled:** Provides delivered wholesale of frozen and chilled food products;
- **Foodservice:** Provides delivered wholesale of alcohol, frozen and chilled food to trade customers;
- **Corporate:** contains the central functions that are not devolved to the business units

These segments offer different products and services to different customers types, attracting different margins. They each have separate management teams.

The segments share a commonality in service being delivered wholesale of food and drink products. The Group therefore benefits from a range of expertise, cross selling opportunities and operational synergies in order to run each segment as competitively as possible.

Each segment is measured on its EBITDA, adjusted for acquisition costs and reconstruction costs, and internal management reports are reviewed monthly by the Board. This performance measure is deemed the most relevant by the Board to evaluate the results of the segments relative to entities operating in the same industry.

	Ambient £000	Frozen & Chilled £000	Foodservice £000	Corporate £000	Total £000
<b>2018</b>					
Revenue	175,890	78,126	87,285	—	341,301
Inter-segment revenue	16,346	282	713	—	17,341
<b>Segment revenue</b>	<b>192,236</b>	<b>78,408</b>	<b>87,998</b>	<b>—</b>	<b>358,642</b>
<b>Adjusted EBITDA*</b>	<b>3,742</b>	<b>6,694</b>	<b>2,971</b>	<b>(1,000)</b>	<b>12,407</b>
Depreciation					(2,369)
Restructuring costs					(48)
Interest income					1,289
Interest expense					(6,598)
<b>Profit before tax</b>					<b>4,681</b>
FRS 102 Segment assets	38,731	30,109	21,423	23,292	113,555
FRS 102 Segment liabilities	(30,198)	(26,240)	(19,166)	(45,459)	(121,063)
<b>IFRS adjustments</b>					
Goodwill amortisation				4,768	4,768
Negative goodwill				122	122
Capitalised transaction costs		(360)	(232)		(592)
<b>IFRS net assets (liabilities)</b>	<b>8,533</b>	<b>3,509</b>	<b>2,025</b>	<b>(17,277)</b>	<b>(3,210)</b>
Capital expenditure	738	1,148	1,745	—	3,631

\* In FY18 there was no difference between Adjusted EBITDA under IFRS and UK GAAP

	Ambient £000	Frozen & Chilled £000	Foodservice £000	Corporate £000	Total £000
<b>2019</b>					
Revenue	182,476	91,887	92,221	—	366,584
Inter-segment revenue	11,931	—	315	—	12,246
<b>Segment revenue</b>	<b>194,407</b>	<b>91,887</b>	<b>92,536</b>	<b>—</b>	<b>378,830</b>
<b>Adjusted EBITDA*</b>	<b>4,549</b>	<b>7,846</b>	<b>3,676</b>	<b>(1,494)</b>	<b>14,577</b>
Depreciation					(2,804)
Restructuring costs					(201)
Interest income					537
Interest expense					(6,922)
<b>Profit before tax</b>					<b>5,187</b>
Segment assets (under UK GAAP)	40,637	33,105	22,434	21,352	117,528
Segment liabilities (under UK GAAP)	(30,862)	(26,905)	(19,542)	(45,733)	(123,042)
<b>IFRS adjustments</b>					
Goodwill amortisation				6,431	6,431
Negative goodwill				122	122
Capitalised transaction costs		(360)	(232)		(592)
<b>IFRS net assets (liabilities)</b>	<b>9,775</b>	<b>5,840</b>	<b>2,660</b>	<b>(17,828)</b>	<b>447</b>
Capital expenditure	1,158	1,567	1,077	—	3,802

\* In FY19 there was no difference between Adjusted EBITDA under IFRS and UK GAAP



	Ambient £000	Frozen & Chilled £000	Foodservice £000	Corporate £000	Total £000
<b>2020</b>					
Revenue	249,080	230,546	112,390	—	592,016
Inter-segment revenue	20,107	636	595	—	21,338
<b>Segment revenue</b>	<b>269,187</b>	<b>231,182</b>	<b>112,985</b>	<b>—</b>	<b>613,354</b>
Adjusted EBITDA (Pre-IFRS 16)*	5,280	13,547	2,700	(797)	20,730
IFRS 16 adjustment					6,904
<b>Adjusted EBITDA</b>					<b>27,634</b>
Depreciation					(11,013)
Amortisation					(144)
Restructuring costs					(1,467)
Acquisition expense					(628)
Compensation for post combination services					(2,358)
Interest income					1,453
Interest expense					(12,172)
<b>Profit before tax</b>					<b>1,305</b>
Segment assets (under UK GAAP)	35,066	32,620	20,894	19,502	108,082
Segment liabilities (under UK GAAP)	(23,477)	(25,675)	(12,488)	(51,891)	(113,531)
<b>IFRS adjustments</b>					
Goodwill amortisation				9,306	9,306
Negative goodwill				122	122
Capitalised transaction costs		(760)	(461)		(1,221)
IFRS 16	(167)	(270)	(167)		(604)
Compensation for post combination services		(2,207)			(2,207)
<b>IFRS net assets (liabilities)</b>	<b>11,422</b>	<b>3,708</b>	<b>7,778</b>	<b>(22,961)</b>	<b>(53)</b>
Capital expenditure	1,395	2,256	1,165	—	4,816

\* In FP20 there was no difference between Adjusted EBITDA under IFRS and UK GAAP except for the application of IFRS 16

An analysis of revenue by destination is given below:

#### Geographical information:

	2018 £000	2019 £000	2020 £000
United Kingdom	335,488	358,804	579,436
Overseas	5,813	7,780	12,580
	341,301	366,584	592,016

No one customer accounts for more than 10% of Group revenue

#### 4 Other operating income/(expense)

	2018 £000	2019 £000	2020 £000
Net gain/(loss) on disposal of fixed assets	(14)	16	5
Net gain on foreign exchange	—	—	5
Grant income	—	—	3,010
	(14)	16	3,020

Grant income represents funding claimed through the Coronavirus Job Retention Scheme, relevant to the 18 month period to 31 October 2020.

## 5 Expenses

Included in profit/loss are the following:

	2018 £000	2019 £000	2020 £000
Depreciation and other amounts off tangible fixed assets:			
Owned	2,145	2,048	3,120
Leased	224	756	—
Right-of-use assets	—	—	7,893
Amortisation of intangible assets	—	—	144
Expense relating to short term and low value assets	—	—	1,024
Hire of plant and machinery – operating leases	1,899	2,060	—
Hire of other assets – operating leases	2,071	2,218	—
Impairment losses on debtors	438	1,010	1,563

The Group incurred a number of exceptional items as follows:

	2018 £000	2019 £000	2020 £000
Transaction fees	—	201	834
Restructuring	48	—	63
COVID-19 related restructuring costs	—	—	570
Acquisition expenses	—	—	628
Compensation for post combination services	—	—	2,358
	48	201	4,453

The Board consider the above costs to be non-recurring in nature. Restructuring costs are part of the integration of entities post acquisition to the Group.

COVID-19 related restructuring costs include a modest workforce reduction in response to the reduced demand during Government led closure of customers' operations.

Acquisition expenses include the legal and professional fees associated with the purchase of subsidiaries in the period.

Compensation for post combination services relates to the value of the put option liability in connection the acquisition of the remaining share capital of Central Supplies (Brierley Hill) Ltd which is subject to an agreement to acquire it within two years of the acquisition.

## 6 Directors' remuneration

	2018 £000	2019 £000	2020 £000
Directors' emoluments	365	724	873
Company contribution to personal pension scheme	52	50	83
	417	774	956

The key management personnel of the Group comprises only the Directors of the Company.

## 7 Finance income and expense

	2018		2019		2020	
	£000	£000	£000	£000	£000	£000
<i>Interest payable and similar charges – cash items</i>						
Interest payable on bank loans and invoice discount facilities	1,848		1,837		2,805	
Finance charges payable in respect of finance leases and hire purchase contracts	35		109		1,579	
Other finance charges payable on debenture loans	1,967		2,040		1,585	
		3,850		3,986		5,969
<i>Interest payable and similar charges – items non-cash paid in period</i>						
Interest payable on bank loans and invoice discount facilities	138		68		—	
Other finance interest payable on investor loans	1,509		1,614		4,327	
Other finance charges payable on debenture loans	1,101		1,254		1,876	
Fair value movement on financial liabilities (note 20)	(1,289)		(537)		(1,453)	
		1,459		2,399		4,750
		5,309		6,385		10,719

## 8 Taxation

	2018		2019		2020	
	£000	£000	£000	£000	£000	£000
<i>UK corporation tax</i>						
Current tax on income for the period	1,402		1,565		1,765	
Adjustment in respect of prior periods	(103)		14		95	
<b>Total current tax</b>		1,299		1,579		1,860
Deferred tax (see note 21)						
Origination/reversal of timing differences	(52)		(54)		(66)	
Adjustment in respect of prior periods	1		5		10	
Effect of decreased tax rate	—		—		1	
<b>Total deferred tax</b>		(51)		(49)		(55)
<b>Tax on profit on ordinary activities</b>		1,248		1,530		1,805

	2018 £000	2019 £000	2020 £000
<i>Current tax reconciliation</i>			
Profit on ordinary activities after tax	3,433	3,657	(500)
Tax charge	1,248	1,530	1,805
Profit on ordinary activities before tax	4,681	5,187	1,305
Tax using the UK corporation tax of 19% (2019: 19%, 2018: 19%)	889	986	248
Effect of:			
Expenses not deductible for tax purposes	406	598	1,327
Fixed asset differences – ineligible depreciation	134	53	128
Income not taxable for tax purposes	(248)	(102)	—
Adjustments in respect of prior periods	(102)	(9)	95
Change in tax rate on deferred tax balances	21	4	10
Current year losses for which no deferred tax asset was recognised	148	—	—
Other tax adjustments	—	—	(3)
	1,248	1,530	1,805

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the Group's future current tax charge accordingly. The deferred tax liability at 31 October 2020 has been calculated at 19% (2019: 17%; 2018: 17%).

## 9 Earnings per share

### Basic earnings per share

Basic earnings per share for the period ending 31 October 2020, and the previous years ending 30 April is calculated by dividing profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during each period as calculated below.

### Diluted earnings per share

Diluted earnings per share for the period ending 31 October 2020, and previous years ending 30 April is calculated by dividing profit attributable to ordinary shareholders by the weighted average number of ordinary shares, adjusted for the effects of all dilutive potential ordinary shares (which comprise a put option) outstanding during each period as calculated below.

### Profit attributable to ordinary shareholders

	2018 £000	2019 £000	2020 £000
Profit attributable to all shareholders	3,433	3,657	(500)
	£	£	£
Basic earnings (loss) per B1 share	61.30	65.30	(8.94)
Diluted earnings (loss) per B1 share	61.30	65.30	(8.94)

## Weighted average number of ordinary shares

	2018 Number	2019 Number	2020 Number
Issued ordinary shares at the start of the period (see below)	100,710	100,710	101,100
Effect of shares subject to written put	(24,000)	(24,000)	(24,000)
Effect of shares without dividend rights	(20,710)	(20,710)	21,100
Weighted average number of ordinary shares (basic) during the period	56,000	56,000	56,000
Weighted average number of ordinary shares (diluted) during the period	56,000	56,000	56,000

The ordinary A shares are those subject to the put option liability

The following Alternative Performance Measure (“APM”) for earnings per share is not defined or specified under the requirements of International Financial Reporting Standards. The Board believes that this APM provides the readers with important additional information regarding the earnings per share performance of the Group:

### Basic underlying earnings per share

Profit attributable to the equity holders of the Group prior to exceptional items and the fair value movement of the put option liability measured through the Consolidated Statement of Profit or Loss, divided by the weighted average number of ordinary shares during the financial year.

	2018 £000	2019 £000	2020 £000
Profit attributable to all shareholders	3,433	3,657	(500)
Exceptional items net of tax*	39	201	4,346
Fair value adjustments on the put option liability	(1,289)	(537)	(1,453)
Underlying profit attributable to B1 shareholders	2,183	3,321	2,393
	£	£	£
Basic underlying earnings per B1 share	38.98	59.30	42.72

\* Exceptional items include restructuring fees, acquisition expenses and compensation for post combination services which are non-recurring costs relating to one off transactions.

## 10 Intangible fixed assets

	<b>Goodwill £000</b>
<i>Cost</i>	
Balance at 1 May 2017	32,581
Acquisitions through business combinations	43
	<hr/>
Balance at 30 April 2018	32,624
	<hr/> <hr/>
<i>Amortisation</i>	
Balance at 1 May 2017	5,512
Charge in period	—
	<hr/>
Balance at 30 April 2018	5,512
	<hr/> <hr/>
<i>Net book value</i>	
At 30 April 2018	27,112
	<hr/> <hr/>
At 30 April 2017	27,069
	<hr/> <hr/>
	<b>Goodwill £000</b>
	<hr/>
<i>Cost</i>	
Balance at 1 May 2018	32,624
Acquisitions through business combinations	199
	<hr/>
Balance at 30 April 2019	32,823
	<hr/> <hr/>
<i>Amortisation</i>	
Balance at 1 May 2018	5,512
Charge in period	—
	<hr/>
Balance at 30 April 2019	5,512
	<hr/> <hr/>
<i>Net book value</i>	
At 30 April 2019	27,311
	<hr/> <hr/>
At 30 April 2018	27,112
	<hr/> <hr/>



	Software £000	Goodwill £000	Total £000
<i>Cost</i>			
Balance at 1 May 2019	—	32,823	32,823
Additions	501	3,938	4,439
Transferred from tangible fixed assets	55	—	55
Balance at 31 October 2020	556	36,761	37,317
<i>Amortisation</i>			
Balance at 1 May 2019	—	5,512	5,512
Charge in period	144	—	144
Balance at 31 October 2020	144	5,512	5,656
<i>Net book value</i>			
At 31 October 2020	412	31,249	31,661
At 30 April 2019	—	27,311	27,311

### Impairment testing

Goodwill acquired through business combinations has been allocated to cash generating units (“CGUs”), as follows:

	2018 £000	2019 £000	2020 £000
<b>Frozen &amp; Chilled</b>	11,251	11,251	<b>12,499</b>
<b>Foodservice</b>	2,544	2,544	<b>5,234</b>
<b>Ambient</b>	13,317	13,516	<b>13,516</b>
	27,112	27,311	<b>31,249</b>

Under IAS 36 the Group is required to test goodwill for impairment at least annually or more frequently if indicators of impairment exist.

The recoverable amount of each CGU has been calculated with reference to its value in use, using financial forecasts approved by the Board covering a 4 year period.

The key assumptions of this calculation are shown below:

CGUs	Ambient	Frozen & Chilled	Foodservice
Period on which forecasts are based:	4 years	4 years	4 years
Growth rate beyond approved forecast period	2.00%	2.00%	2.00%
Discount rate applied:	9.18%	9.18%	9.18%

Impairment testing at 31 October 2020 has taken into consideration the impact of COVID-19 on the CGU's.

The sensitised forecasts assumed that revenue in Foodservice achieves 75-80% of pre COVID revenue and the Vending business within the Ambient CGU achieves 80-85% of pre COVID revenue.

A return to this level of revenue is phased and assumes Government led closures continue in the first year of the forecast period.

Growth rates assumed beyond the forecast period reflect those seen historically in the industry and management believe this to be a conservative estimate. This does not exceed the Group's historical growth rate.

The discount rate is per the Group's current weighted average cost of capital adjusted to reflect the pre tax rate at 19% Corporation Tax and a risk premium from comparable listed entities to approximate a market based discount rate. A specific risk premium has not been applied to each CGU as they all operate in the wholesale of food and drinks and are therefore exposed to the same macroeconomic risks notwithstanding COVID-19, which has been dealt with specifically in each underlying CGU's forecast. This would be reassessed if the discount rate indicated potential impairment of any individual CGU. The discount rate applied across each CGU is the same as business are operationally similar although serving different markets with different products.

Other than changes to the discount or growth rate the key assumption in the forecast model is the gross margin generated by each CGU. The sensitivities vary by CGU but no reasonable sensitivity in discount rate, margin or growth rate would result in impairment on any CGU.

The following sensitivities have been tested and do not result in an impairment in any CGU:

- Change in the pre-tax discounts rate by 6%
- Increase in the length of Government led lockdowns to 31 October 2020
- 5% reduction in gross margin

Each of the CGUs has significant headroom under the annual impairment review. The Directors believe that no reasonable change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

## 11 Tangible fixed assets

	Leasehold property £000	Fixtures & fittings £000	Motor vehicles £000	Plant and machinery £000	Total £000
<b>Cost</b>					
Balance at 1 May 2017	1,504	3,308	4,619	3,732	13,163
Additions	721	531	2,011	368	3,631
Disposals	—	—	(988)	(77)	(1,065)
Balance at 30 April 2018	2,225	3,839	5,642	4,023	15,729
<b>Amortisation</b>					
Balance at 1 May 2017	356	2,000	1,410	1,287	5,053
Charge in year	102	474	1,112	681	2,369
Disposals	—	—	(785)	(91)	(876)
Balance at 30 April 2018	458	2,474	1,737	1,877	6,546
<b>Net book value</b>					
At 30 April 2018	1,767	1,365	3,905	2,146	9,183
At 30 April 2017	1,148	1,308	3,209	2,445	8,110

Included in total net book value of £9,183,000 at 30 April 2018 is £2,549,000 (2017: £824,595) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £224,046 (2017: £181,181).

	Leasehold property £000	Fixtures & fittings £000	Motor vehicles £000	Plant and machinery £000	Total £000
<b>Cost</b>					
Balance at 1 May 2018	2,225	3,839	5,642	4,023	15,729
Additions	68	475	2,774	485	3,802
Disposals	(4)	—	(1,737)	(49)	(1,790)
Balance at 30 April 2019	2,289	4,314	6,679	4,459	17,741
<b>Amortisation</b>					
Balance at 1 May 2018	458	2,474	1,737	1,877	6,546
Charge in year	167	533	1,484	620	2,804
Disposals	(4)	—	(1,491)	(49)	(1,544)
Balance at 30 April 2019	621	3,007	1,730	2,448	7,806
<b>Net book value</b>					
At April 2019	1,668	1,307	4,949	2,011	9,935
At April 2018	1,767	1,365	3,905	2,146	9,183

Included in total net book value of £9,935,000 at 30 April 2019 is £3,923,000 (2018: £2,549,000) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £755,758 (2018: £224,046).

	Freehold property £000	Leasehold Property £000	Fixtures and Fittings £000	Motor vehicles £000	Plant and machinery £000	Total £000
<b>Cost</b>						
Balance at 1 May 2019	—	2,289	4,314	6,679	4,459	17,741
Additions	—	107	432	722	1,274	2,535
Disposals	—	—	(1)	(1,655)	(62)	(1,718)
Transferred to intangible assets	—	—	—	—	(55)	(55)
Acquired through business combinations	2,894	306	159	346	586	4,291
Transferred to right-of-use assets	—	(671)	—	(4,490)	—	(5,161)
Balance at 31 October 2020	2,894	2,031	4,904	1,602	6,202	17,633
<b>Amortisation</b>						
Balance at 1 May 2019	—	621	3,007	1,730	2,448	7,806
Charge in period	50	172	726	1,018	1,154	3,120
Disposals	—	—	(1)	(1,312)	(52)	(1,365)
Transferred to right-of-use assets	—	(62)	—	(1,176)	—	(1,238)
Balance at 31 October 2020	50	731	3,732	260	3,550	8,323
<b>Net book value</b>						
At October 2020	2,844	1,300	1,172	1,342	2,652	9,310
At April 2019	—	1,668	1,307	4,949	2,011	9,935

From 1 May 2019 and following the adoption of IFRS 16, Leases, leased assets are presented as Right-of-Use assets in the consolidated balance sheet per the following schedule:

#### Right-of-use assets

	Leasehold Property £000	Motor vehicles £000	Plant and machinery £000	Total £000
<b>Cost</b>				
Transition to IFRS 16	12,111	1,455	1,075	14,641
Transferred from tangible assets	671	4,490	—	5,161
Additions	1,715	5,377	327	7,419
Disposals	—	—	—	—
Acquired through business combinations	101	2,313	96	2,510
Balance at 31 October 2020	14,598	13,635	1,498	29,731
<b>Amortisation</b>				
Transferred from tangible assets	62	1,176	—	1,238
Charge in period	3,301	4,003	589	7,893
Disposals	—	—	—	—
Balance at 31 October 2020	3,363	5,179	589	9,131
<b>Net book value</b>				
At October 2020	11,235	8,456	909	20,600

#### 12 Investments

	Unlisted investments 2018 £000	Unlisted investments 2019 £000	Unlisted investments 2020 £000
<b>Group</b>			
<i>Fair value</i>			
At beginning of period	30	20	20
Additions	15	—	—
Disposals	(25)	—	—
At end of period	20	20	20

#### 13 Investment Property

	2018 £000	2019 £000	2020 £000
<b>Group</b>			
<i>Fair value</i>			
At beginning of period	—	—	—
Added through business combinations	—	—	175
At end of period	—	—	175

The investment property was last valued at £175,000 in 2018 by an external, independent valuer. The Directors do not consider any change in valuation to be material since the last valuation or since it became part of the Group.

## 14 Other financial assets

	Group		
	2018 £000	2019 £000	2020 £000
<b>Current</b>			
Interest rate cap	69	—	—

## 15 Other financial liabilities

	Group		
	2018 £000	2019 £000	2020 £000
<b>Non-current</b>			
Financial liabilities designated as fair value through profit or loss			
Put option liability (note 20)	7,400	6,863	5,410

## 16 Inventories

	Group		
	2018 £000	2019 £000	2020 £000
Goods for resale	31,373	32,622	23,198
	31,373	32,622	23,198

Raw materials, consumables and goods for resale recognised as cost of sales in the period amounted to £484,842,000 (2019: £302,550,000; 2018: £283,820,000). The write down of stocks to net realisable value amounted to £29,000 (2019: £nil; 2018: £nil).

## 17 Trade and other receivables

	Group		
	2018 £000	2019 £000	2020 £000
Trade receivables	40,715	43,980	34,316
Other debtors	277	482	2,304
Prepayments and accrued income	8,147	7,933	7,938
	49,139	52,395	44,558
Due within one year	48,368	51,515	43,915
Due after more than one year	771	880	643
	49,139	52,395	44,558

£11,836,000 (2019: £20,002,000; 2018: £19,299,000) of Group trade receivables are used as security against invoice discounting advances (note 20).

## 18 Cash and cash equivalents

	Group		
	2018 £000	2019 £000	2020 £000
Cash at bank and in hand	957	1,205	342
<b>Cash and cash equivalents per cashflow statements</b>	<b>957</b>	<b>1,205</b>	<b>342</b>

## 19 Trade and other payables: amounts falling due within one year

	Group		
	2018 £000	2019 £000	2020 £000
Trade payables	44,469	42,511	27,832
Other creditors	1,712	2,328	3,302
Accruals	2,174	2,590	6,815
Deferred consideration	72	—	—
Contingent consideration (note 5)	—	—	2,358
	<b>48,427</b>	<b>47,429</b>	<b>40,307</b>

## 20 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's loans and borrowings. For more information about the Group's exposure to interest rate risk, see note 26.

	Group		
	2018 £000	2019 £000	2020 £000
<b>Non-current liabilities</b>			
Investor loans	20,929	23,792	29,586
Lease liabilities (2018:2019 finance lease liabilities)	1,837	3,139	16,200
Bank term loans	14,431	12,340	13,493
	37,197	39,271	59,279
Put option liability	7,400	6,863	5,410
	<b>44,597</b>	<b>46,134</b>	<b>64,689</b>
	Group		
	2018 £000	2019 £000	2020 £000
<b>Current liabilities</b>			
Lease liabilities (2018:2019 finance lease liabilities)	636	904	5,202
Bank trade loans	7,562	7,020	4,750
Invoice discounting advances	16,368	17,002	10,061
Bank term loans	2,091	2,091	2,870
	<b>26,657</b>	<b>27,017</b>	<b>22,883</b>



All borrowings are denominated in Sterling.

Bank trade loans are secured by means of debenture and cross guarantees over the assets of all Group undertakings. These are generally repayable within 35 days of drawdown and form an integral part of the Group's day to day short term cash management.

Receipts and payments from trade loans are disclosed net in the cash flow statement under IAS 7 22(b) on the basis they are short maturity.

During the 18 month period ended 31 October 2020 the Group agreed a 12 month extension of its Banking facilities covering Facility A, Facility B, and the invoice discounting facility.

Bank terms loans are in two tranches. Facility A has a balance of £3,610,000, repayable in quarterly instalments of £648,000 for Q1 FY21 and £743,000 thereafter fully amortising to 1 March 2022 and carried interest of 3.50% above LIBOR. Facility B has a balance of £12,750,000 and is fully repayable on 1 March 2023 and carries interest at 4.00% above LIBOR.

In addition, to the Banking facilities the Group also agreed a 12 month extension on the Investors' mezzanine and subordinated loan notes. As a result these facilities run to 28 February 2024.

The Investors' loans are made up of two loans. Principal of £18,500,000 mezzanine loan notes with a loan period of 7 years from 1 March 2016. Principal of £7,000,000 subordinated loan notes with a period of 7 years from 1 March 2016. Fees incurred of £1,950,000 on the arrangement of these loans have been deducted from the carrying value of these loans and are being amortised over the facility length of the loans.

The liabilities shall rank in right and priority of payment in the following order:

- **first**, the Bank term loans, Bank trade loans and Invoice discounting advances *pari passu* and without preference between them;
- **second**, Investors' mezzanine loan notes; and
- **third**, Investors' subordinated loan notes.

The A ordinary shares are reclassified as debt due to a redemption option on these exercisable from 28 February 2024 following agreement of a 12 month extension on this instrument. This debt is held at fair value with changes recognised in the profit and loss. The redemption debt value at the option maturity date is based on a multiple of forecast EBITDA. The liability is based on management forecasts which was then discounted to give an initial present value of £7,993,000 at 1 March 2016. There have been changes to the assumptions used to calculate the fair value in the period. There is a fair value movement to the profit and loss of £1,453,000 gain (2019: £537,000 gain; 2018: £1,289,000 gain) and a liability of £5,410,000 as at 31 October 2020 (2019 £6,863,000; 2018: £7,400,000).

The invoice discounting advances are secured against trade receivables (note 17). These are repayable within 90 days of the date of the invoice and carry interest at a margin of 1.75%. This facility expires in 2023.

Under this arrangement trade customers remit cash directly to the Group companies and the Group companies use the trade debt as security to draw down funds from finance providers. Cash receipts and cash payments with the finance provider are disclosed net in the cashflow statement as allowed under IAS 7 22(b) on the basis that they are short maturity.

Finance lease liabilities are secured on the specific assets to which they relate and are payable quarterly or monthly. These expire within 5 years. The interest on these arrangements is in the range of 3% to 5%. Lease liabilities (2018; 2019: Finance lease liabilities) are payable as follows:

	<b>Group</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Within one year	636	904	5,202
In the second to fifth years	1,837	3,139	11,295
Over 5 years	—	—	4,905
At end of period	<b>2,473</b>	<b>4,043</b>	<b>21,402</b>

#### Terms and debt repayment schedule

				<b>2018</b>		<b>2019</b>		<b>2020</b>	
	<b>Currency</b>	<b>Nominal interest rate</b>	<b>Year of maturity</b>	<b>Face value</b>	<b>Carrying value</b>	<b>Face value</b>	<b>Carrying value</b>	<b>Face value</b>	<b>Carrying value</b>
				<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Lease liabilities	Sterling	3.00% – 5.00%	2018-2028	2,473	2,473	4,043	4,043	21,402	21,402
Bank Senior A	Sterling	3.25% + LIBOR	2022	6,272	6,272	4,181	4,181	3,613	3,613
Bank Senior B	Sterling	3.75% + LIBOR	2023	10,250	10,250	10,250	10,250	12,750	12,750
Invoice discounting advances	Sterling	1.75% + Base	2023	16,368	16,368	17,002	17,002	10,061	10,061
Bank trade loans	Sterling	2.75% + Base	2021	7,562	7,562	7,020	7,020	4,750	4,750
Put option liability	Sterling				7,400		6,863		5,410
Investor mezzanine	Sterling	14.00%	2024	20,164	15,965	20,982	17,462	23,575	21,014
Amortised deal costs	Sterling				(1,346)		(1,067)		(650)
Investor subordinated	Sterling	9.00%	2024	8,486	6,310	9,276	7,397	10,601	9,222
Sub-total investor loans	Sterling				20,929		23,792		29,586
				71,575	71,254	72,754	73,151	86,752	87,572

Amortised deal costs are directly attributable to all of the Investor instruments as they were all issued at fair value as part of the same financing transaction. Therefore these costs have been included as a single line to reconcile the debt carrying value to the value in these financial statements.

<i>Changes in liabilities from financing activities</i>	<b>Loans and borrowings £000</b>	<b>Finance lease liabilities £000</b>	<b>Total £000</b>
<b>Balance at 1 May 2017</b>	71,272	657	71,929
<b>Changes from financing cash flows</b>			
Repayment of borrowings	(3,811)	—	(3,811)
Payment of finance lease liabilities	—	(648)	(648)
Interest paid	(3,815)	(35)	(3,850)
<b>Total changes from financing cash flows</b>	<b>(7,626)</b>	<b>(683)</b>	<b>(8,309)</b>
<b>Other changes</b>			
New finance leases	—	2,464	2,464
Interest expense	6,563	35	6,598
Movement in fair value of put option liability	(1,289)	—	(1,289)
Interest included in accruals at year end	(139)	—	(139)
<b>Total other changes</b>	<b>5,135</b>	<b>2,499</b>	<b>7,634</b>
<b>Total debt at 30 April 2018</b>	<b>68,781</b>	<b>2,473</b>	<b>71,254</b>

<i>Changes in liabilities from financing activities</i>	<b>Loans and borrowings £000</b>	<b>Finance Lease liabilities £000</b>	<b>Total £000</b>
<b>Balance at 1 May 2018</b>	68,781	2,473	71,254
<b>Changes from financing cash flows</b>			
Repayment of borrowings	(1,999)	—	(1,999)
Payment of finance lease liabilities	—	(1,160)	(1,160)
Interest paid	(3,877)	(109)	(3,986)
<b>Total changes from financing cash flows</b>	<b>(5,876)</b>	<b>(1,269)</b>	<b>(7,145)</b>
<b>Other changes</b>			
New finance leases	—	2,730	2,730
Interest expense	6,813	109	6,922
Movement in fair value of put option liability	(537)	—	(537)
Interest included in accruals at year end	(73)	—	(73)
<b>Total other changes</b>	<b>6,203</b>	<b>2,839</b>	<b>9,042</b>
<b>Total debt at 30 April 2019</b>	<b>69,108</b>	<b>4,043</b>	<b>73,151</b>

<i>Changes in liabilities from financing activities</i>	<b>Loans and borrowings £000</b>	<b>Lease liabilities £000</b>	<b>Total £000</b>
<b>Balance at 1 May 2019 – as previously stated</b>	69,108	4,043	73,151
Initial application of IFRS 16	—	14,641	14,641
Balance restated 1 May 2019	69,108	18,684	87,792
<b>Changes from financing cash flows</b>			
Repayment of borrowings	(12,274)	—	(12,274)
Payment of lease liabilities	—	(7,173)	(7,173)
Interest paid	(4,390)	(1,579)	(5,969)
<b>Total changes from financing cash flows</b>	<b>(16,664)</b>	<b>(8,752)</b>	<b>(25,416)</b>
<b>Other changes</b>			
New borrowing	5,000	9,671	14,671
Interest expense	10,593	1,579	12,172
Movement in fair value of put option liability	(1,453)	—	(1,453)
Interest included in accruals at period end	(414)	—	(414)
Added through business combination	—	220	220
<b>Total other changes</b>	<b>13,726</b>	<b>11,470</b>	<b>25,196</b>
<b>Total debt at 31 October 2020</b>	<b>66,170</b>	<b>21,402</b>	<b>87,572</b>

## 21 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	<b>Assets</b>			<b>Liabilities</b>		
	<b>2018 £000</b>	<b>2019 £000</b>	<b>2020 £000</b>	<b>2018 £000</b>	<b>2019 £000</b>	<b>2020 £000</b>
Property, plant and equipment	130	175	295	(233)	(217)	(397)
Tax value of loss carry forwards	3	—	48	—	—	—
Other temporary timing difference	9	—	—	—	—	—
<b>Tax assets/(liabilities)</b>	<b>142</b>	<b>175</b>	<b>343</b>	<b>(233)</b>	<b>(217)</b>	<b>(397)</b>

Movement in deferred tax during the period:

	<b>30 April 2017 £000</b>	<b>Amounts arising from business combinations £000</b>	<b>Recognised in income £000</b>	<b>Recognised in equity £000</b>	<b>30 April 2018 £000</b>
Property, plant and equipment	(167)	—	64	—	(103)
Tax value of loss carry forwards	3	—	—	—	3
Other temporary timing difference	22	—	(13)	—	9
<b>Tax assets/(liabilities)</b>	<b>(142)</b>	<b>—</b>	<b>51</b>	<b>—</b>	<b>(91)</b>

	30 April 2018 £000	Amounts arising from business combinations £000	Recognised in income £000	Recognised in equity £000	30 April 2019 £000
Property, plant and equipment	(103)	—	61	—	(42)
Tax value of loss carry forwards	3	—	(3)	—	—
Other temporary timing difference	9	—	(9)	—	—
<b>Tax assets/(liabilities)</b>	<b>(91)</b>	<b>—</b>	<b>49</b>	<b>—</b>	<b>(42)</b>

	30 April 2019 £000	Amounts arising from business combinations £000	Recognised in income £000	Recognised in equity £000	31 October 2020 £000
Property, plant and equipment	(41)	(68)	7	—	(102)
Tax value of loss carry forwards	—	—	48	—	48
Other temporary timing difference	—	—	—	—	—
<b>Tax assets/(liabilities)</b>	<b>(41)</b>	<b>(68)</b>	<b>55</b>	<b>—</b>	<b>(54)</b>

## 22 Employee benefits

### Defined contribution plans

The Group operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Group to the scheme and to other personal pensions schemes and amounted to £1,150,000 (2019: £426,000; 2018: £262,000).

## 23 Called up share capital

### Group

	Group		
	2018 £	2019 £	2020 £
Called up and fully paid			
24,000 ordinary A shares of £0.01 each	240	240	240
56,000 ordinary B1 shares of £0.01 each	560	560	560
10,666 ordinary B2 shares of £0.01 each	107	107	107
9,334 ordinary B3 shares of £0.01 each	93	93	93
100 ordinary C1 share of £0.01 each	1	1	1
1,000 ordinary C3 shares of £0.001 each	—	—	1
	<b>1,001</b>	<b>1,001</b>	<b>1,002</b>
Shares classified as liabilities	240	240	240
Shares classified in shareholders funds	761	761	762
	<b>1,001</b>	<b>1,001</b>	<b>1,002</b>

The ordinary A shares, ordinary B1 shares and ordinary B2 shares are voting shares. The ordinary B3 shares, ordinary C1 shares and ordinary C3 shares have no voting rights.

The ordinary A shareholders are collectively entitled to 24% of any dividends declared. The ordinary B1 shareholders are collectively entitled to 76% of any dividends declared. The ordinary B2 shares,

ordinary B3 shares, ordinary C1 shares and ordinary C3 shares have no dividend rights. No dividends will be payable on any shares before repayment in full of all loan notes and consent has been granted by the Investors.

Subject to various restrictions as set out in the Articles of Association of the Company, on the occasion of a significant event such as a liquidation or capital reduction, broadly the following provisions will be followed.

- Payment to the holders of the ordinary A shares an amount equal to the 24% of the equity surplus;
- Payment to the holders of the ordinary B shares, *pari passu*, a proportion of the balance of the equity surplus after the payment of 24% of the equity surplus paid to the ordinary A shareholders;
- Remaining balance payable to the C ordinary shareholders in line with the Articles of Association.

The ordinary A shares have an associated redemption option held by Pricoa Capital Group. The option is only exercisable from 1 March 2024 or in the instance of one or more of certain events occurring, as set out in the Investor Agreement. These events include repayment of all of the mezzanine notes; voluntary or involuntary winding up of the Company; and sale of the business or change of control.

The ordinary B2, B3, C1 & C3 shares have been accounted for as an equity settled share-based payment as a change of control was the most likely outcome at the point of issue or at the reporting dates.

#### *Share premium*

The share premium account arises on shares that were issued on satisfaction of loan notes issued by Kitwave Investments Limited (a subsidiary undertaking).

#### *Consolidation reserve*

Under the principles of reverse acquisition accounting this reserve reflects the difference between the underlying Kitwave One Limited share capital and reserves and the statutory share capital and share premium of the Company and the consideration paid on refinancing.

## **24 Operating leases**

### ***Land and buildings***

	<b>Group</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Group</b>			
<i>Operating leases which expire:</i>			
Within one year	2,135	2,480	—
In the second to fifth years inclusive	6,979	6,657	—
Over five years	6,787	6,180	—
	<b>15,901</b>	<b>15,317</b>	<b>—</b>



## Motor vehicles

	Group		
	2018 £000	2019 £000	2020 £000
<b>Group</b>			
<i>Operating leases which expire:</i>			
Within one year	1,288	1,369	—
In the second to fifth years inclusive	1,971	1,809	—
Over five years	—	—	—
	<u>3,259</u>	<u>3,178</u>	<u>—</u>

From 1 May 2019 the Group recognised right-of-use assets for these leases, except for short-term and low-value leases (see note 1) under IFRS 16. 2018 and 2019 are reported under IAS 17

## 25 Contingencies

Group bank borrowings (including invoice discounting advances) are subject to cross guarantee and debenture agreements over group companies. The Company is party to a cross-guarantee and debenture agreement to secure the £31,000,000 (2019: £38,000,000; 2018: £40,000,000) bank borrowings of its subsidiary undertakings.

## 26 Financial instruments

### Fair values of financial instruments

The carrying value of all financial assets and financial liabilities by class, are shown below. The carrying value approximates to each asset and liabilities fair value:

	Group		
	2018 £000	2019 £000	2020 £000
<b>Financial assets measured at fair value through profit and loss</b>			
Interest rate cap	69	—	—
<b>Financial assets held at amortised cost</b>			
Trade receivables	40,715	43,980	34,316
Cash and cash equivalents	957	1,205	342
	<u>41,672</u>	<u>45,185</u>	<u>34,658</u>
<b>Financial liabilities measured at fair value through profit and loss</b>			
Put option liability	7,400	6,863	5,410
Contingent consideration	—	—	2,358
	<u>7,400</u>	<u>6,863</u>	<u>7,768</u>
<b>Financial liabilities measured at amortised cost</b>			
Trade payable	44,469	42,511	27,832
Bank trade loans	7,562	7,020	4,750
Bank term loans	16,522	14,431	16,363
Investor loans	20,929	23,792	29,586
Invoice discounting advances	16,368	17,002	10,061
Obligations under lease liabilities (2019; 2018: finance leases liabilities)	2,473	4,043	21,402
Deferred consideration	72	—	—
	<u>108,395</u>	<u>108,799</u>	<u>109,994</u>

### Financial instruments – IFRS 9

The Group holds a financial asset instrument, being trade receivables.

The trade receivables are held at amortised cost. The objective of the business model for realising trade receivables is by collecting contractual cash flows for genuine debts. The considerations of Solely Principal Payments and Interest (“SPPI”) have also been considered and the criteria met for holding at amortised cost as the trade receivables are for fixed payments due by fixed dates with no variable element of payment required.

The standard requires impairment of trade receivables held at amortised cost is considered by reference to the expected credit loss method, discussed in the credit risk section of the financial information. In 2018 the Group held an interest rate cap that was measured at fair value through the profit and loss. There was no material change to the subsequent measurement of the asset under the provision of IFRS 9.

### Financial instruments measured at fair value through profit and loss

The table below analyses financial instruments into a fair value hierarchy based on the valuation technique used to determine fair value.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie, as prices) or indirectly (ie, derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In 2018 the interest rate cap is considered to be level 2 and the put option liability and the contingent consideration are considered to be level 3 in the fair value hierarchy. There have been no transfers between categories in the current or preceding two years.

The following table shows the valuation techniques used for Level 3 fair values as well as the significant unobservable inputs used for Level 3 items.

	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>
Put option liability	The fair value of the option is based on the forecast Group enterprise value net of debt as at March 2023.	Forecast EBITDA per annum Forecast debt position as at the option date Discount rate of 7.43%
Contingent consideration	The fair value of the option is based on Central Supplies (Brierley Hill) Ltd's EBITDA for the last 12 months and net assets at the balance sheet date of redemption	Last 12 months EBITDA per annum Net asset position Discount rate of 7.43%

The Group has a put option liability which is exercisable in 2024. The redemption value at the maturity date is based on a forecast multiple of EBITDA.

The Group has considered the sensitivity on the fair value of the put option liability which are as follows:

- A 25 basis point increase in discount rate would reduce the fair value of the put option liability by £42,000.
- A £500,000 reduction in forecast EBITDA would reduce the fair value of the put option liability by £930,000.

Directors assumptions have remained consistent since recognition of the option in 2016, the forecast debt position has been updated annually based on Directors expectation of the Group's future borrowings.

A reconciliation of the movements in the put option liability is included in note 20.

The Group have a put option liability in relation to 25% of the shareholding in Central Supplies (Brierley Hill) Ltd which is exercisable two years from acquisition. The redemption value at maturity date is based on a fixed formula relating to last 12 months EBITDA and net assets at the date of redemption.

The Group have considered the sensitivity on the fair value of the put option liability which are as follows:

- A 25 basis point increase in discount rate would reduce the fair value of the put option liability by £4,000.
- A £500,000 reduction in forecast EBITDA would reduce the fair value of the put option liability by £276,000.

### **Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers. The Group has a well-established and diverse portfolio of customers including a large number of customers paying cash on delivery. The Directors do not believe there is a significant concentration risk. The Group establishes an allowance for impairment that represents its estimate of incurred losses using a provision matrix which is based on historical

levels of impairment and assessment of the quality of the receivable book to calculate a forward looking estimate.

	<b>Gross £000</b>	<b>Impairment £000</b>	<b>Net £000</b>
<b>2018</b>			
Current	27,742	—	27,742
31-60 days from invoice	9,064	—	9,064
61-90 days from invoice	1,644	—	1,644
90+ days	3,833	(1,568)	2,265
	<b>42,283</b>	<b>(1,568)</b>	<b>40,715</b>
	<b>Gross £000</b>	<b>Impairment £000</b>	<b>Net £000</b>
<b>2019</b>			
Current	30,552	—	30,552
31-60 days from invoice	9,099	—	9,099
61-90 days from invoice	1,672	—	1,672
90+ days	4,079	(1,422)	2,657
	<b>45,402</b>	<b>(1,422)</b>	<b>43,980</b>
	<b>Gross £000</b>	<b>Impairment £000</b>	<b>Net £000</b>
<b>2020</b>			
Current	25,102	—	25,102
31-60 days from invoice	8,279	—	8,279
61-90 days from invoice	755	—	755
90+ days	2,191	(2,011)	180
	<b>36,327</b>	<b>(2,011)</b>	<b>34,316</b>

The maximum Group exposure to credit risk in the period ended 31 October 2020 was £34,316,000 (2019: £43,980,000; 2018: £40,715,000) being the total carrying amount of trade receivables net of provision.

The Directors assess the risk to trade receivables by reviewing the ageing of debt rather than by reference to the amount overdue. Many customers operate on terms requiring payment for the previous delivery on receipt of their next order, referred to as 'one over one'. As such a large population of debt would be classed as overdue due to the parameters of the Groups accounting software with debt operating under the agreement made with the customer. The expected credit loss on invoices less than 90 days old is immaterial to the historical financial information.

The impairment charge on trade receivables in the 18 month period ended 31 October 2020 £1,563,000 (note 5) with the provision in the prior 12 month period to 30 April 2020 being £1,010,000. During FP20, the Group has managed down trade receivables significantly with collections from customers affected by COVID-19 materially collected with minimal bad debt levels. The Group still feels that the provisioning of c.£1,000,000 pa is appropriate and the ageing of debt and customer base in the two acquisitions made in FP20 does not indicate any further provisioning is required.

Historically, over the past 5 years, the annual bad debt expense has been c.0.15% of Group revenue. Applying the historic factor would result in a provision of c.£796,000.

The impairment provision charged during the 18 month period to 31 October 2020 was £1,563,000 representing c.4% of trade receivables at the period end. This movement on the opening provision including this charge and the utilisation of the provision during the period gave rise to a closing

provision of £2,011,000 (being c.6% of trade receivables) at 31 October 2020. This is higher than 30 April 2019's actual charge as the 2020 value includes provisions for specific debtors based on age and information known to the Group, such as credit worthiness.

Debt is reviewed regularly by dedicated credit control teams within each division and information from credit rating agencies is often used to assess a customer's ability to meet its obligations.

If there is significant doubt regarding a receivable a specific provision is created. In addition, a provision is created to account for the estimated losses that may be incurred in future periods. Management consider the level of provisioning to be materially correct based on these factors.

	2018 £000	2019 £000	2020 £000
<b>As at beginning of period</b>	1,712	1,568	1,422
Provided during the period	438	1,010	1,563
Added on acquisitions	—	—	—
Utilised during the period	(582)	(1,156)	(974)
<b>As at period end</b>	<b>1,568</b>	<b>1,422</b>	<b>2,011</b>

### **Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group manages its liquidity risk by monitoring existing facilities and cash flows against forecast requirements based on a rolling cash forecast.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

April 2018	Carrying amount £000	Contractual cashflow £000	1 year or less £000	1-2 years £000	2-5 years £000	More than 5 years £000
<b>Financial liabilities</b>						
Trade payables	44,469	44,469	44,469	—	—	—
Lease liabilities (2019; 2018: finance leases liabilities)	2,473	2,734	661	2,073	—	—
Bank Senior A	6,272	6,742	2,326	2,247	2,169	—
Bank Senior B	10,250	11,993	436	436	11,121	—
Investors' mezzanine loan notes	14,619	35,309	2,040	2,123	31,146	—
Investors' subordinated loan notes	6,310	13,051	—	—	13,051	—
Invoice discounting advances*	16,368	16,368	16,368	—	—	—
Bank trade loans*	7,562	7,562	7,562	—	—	—
Deferred consideration	72	72	72	—	—	—
Put option liability	7,400	10,465	—	—	10,465	—
	<b>115,795</b>	<b>148,765</b>	<b>73,934</b>	<b>6,879</b>	<b>67,952</b>	<b>—</b>

<b>April 2019</b>	<b>Carrying amount £000</b>	<b>Contractual cashflow £000</b>	<b>1 year or less £000</b>	<b>1-2 years £000</b>	<b>2-5 years £000</b>	<b>More than 5 years £000</b>
<b>Financial liabilities</b>						
Trade payables	42,511	42,511	42,511	—	—	—
Lease liabilities (2019; 2018: finance leases liabilities)	4,043	4,430	940	1,029	2,461	—
Bank Senior A	4,181	4,416	2,247	2,169	—	—
Bank Senior B	10,250	11,557	436	436	10,685	—
Investors' mezzanine loan notes	16,395	33,269	2,123	2,209	28,937	—
Investors' subordinated loan notes	7,397	13,051	—	—	13,051	—
Invoice discounting advances*	17,002	17,002	17,002	—	—	—
Bank trade loans*	7,020	7,020	7,020	—	—	—
Put option liability	6,863	9,035	—	—	9,035	—
	<b>115,662</b>	<b>142,291</b>	<b>72,279</b>	<b>5,843</b>	<b>64,169</b>	<b>—</b>

<b>October 2020</b>	<b>Carrying amount £000</b>	<b>Contractual cashflow £000</b>	<b>1 year or less £000</b>	<b>1-2 years £000</b>	<b>2-5 years £000</b>	<b>More than 5 years £000</b>
<b>Financial liabilities</b>						
Trade payables	27,832	27,832	27,832	—	—	—
Lease liabilities (2019; 2018: finance leases liabilities)	21,401	24,917	6,044	5,066	8,272	5,535
Bank Senior A	3,618	3,781	3,011	770	—	—
Bank Senior B	12,750	14,015	542	542	12,931	—
Investors' mezzanine loan notes	20,364	35,485	2,385	2,482	30,618	—
Investors' subordinated loan notes	9,222	14,266	—	—	14,266	—
Invoice discounting advances*	10,061	10,061	10,061	—	—	—
Bank trade loans*	4,750	4,750	4,750	—	—	—
Put option liability	5,410	6,871	—	—	6,871	—
Compensation for post combination services	2,358	3,143	3,143	—	—	—
	<b>117,766</b>	<b>145,121</b>	<b>57,768</b>	<b>8,860</b>	<b>72,958</b>	<b>5,535</b>

\*Both the invoice discounting and bank trade loan facilities are revolving. The invoice discounting facility is available up to £35,000,000 of draw down and is available until 2023. The trade loan facility is for £8,000,000 and repayable within 35 days of draw down. It forms an integral part of the Group's day to day short term cash management.

### **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

The Group has an immaterial exposure to currency risk on purchases denominated in a currency other than the functional currency of the Group since the balance owed to non UK business is immaterial at each period end.

The Group is exposed to interest rate risk principally where its borrowings are at variable interest rates.



At the balance sheet date the interest rate profile of the Group's interest-bearing financial instruments was:

	<b>Group</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Fixed rate instruments</b>			
Financial assets	—	—	—
Financial liabilities	23,402	27,835	50,987
	<b>23,402</b>	<b>27,835</b>	<b>50,987</b>

	<b>Group</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Variable rate instruments</b>			
Financial assets	—	—	—
Financial liabilities	40,452	38,453	31,174
	<b>40,452</b>	<b>38,453</b>	<b>31,174</b>

#### *Sensitivity analysis*

An increase of 25 basis point in interest rates throughout the period would have affected profit or loss by the amounts shown below. This calculation assumes that the charge occurred at all points in the period and had been applied to the average risk exposures throughout the period:

	<b>Group</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Profit or loss decreases	101	96	78

The above assumes the rate change is applicable on financial liabilities accruing interest on base rate and LIBOR and affects them in the same way.

#### **Capital management**

The primary objective of the Group is to manage its capital to ensure it is able to continue as a going concern, whilst maximising shareholder value.

The capital structure of the Group consists of debt, which includes borrowings, cash and cash equivalents and equity attributable to the equity holders of the Group.

The Group's policy is to maintain gearing at levels appropriate to the business and its funders. The Group produces annual forecasts to enable the Board to assess the level of working capital needed in the business, taking careful account of working capital cycles, which are predictable, and the Board have significant experience of managing them.

## **27 Related party transactions**

Kitwave One Limited, Kitwave Investments Limited, Kitwave Limited, Turner & Wrights Limited, FW Bishop & Son Limited, M & M Value Limited, Westone Wholesale Limited, Andersons (Wholesale) Limited, Teatime Tasties Limited, TG Foods Limited, Eden Farm Limited, Squirrels UK Limited,

Thurston's Food's Limited, David Miller Frozen Foods Limited, Angelbell Limited, MAS Frozen Foods Limited, Supplytech Limited, Automatic Retailing (Northern) Limited, Phoenix Fine Foods Limited, H B Clark (Successors) Limited, H B Clark Holdings Limited, Churnet Valley Drinks Limited, Clarks Fine Foods Limited, F.A.M Soft Drinks Limited and Alpine Fine Foods Limited are all 100% owned subsidiaries of this Company. Central Supplies (Brierley Hill) Ltd is a 75% owned subsidiary of this Company.

Details of interest payable and other finance charges in relation to the debenture holders (Pricoa Capital Group), together with the values of the debenture loans outstanding, are disclosed in notes 7 and 20. Fees totalling £60,000 (2019: £40,000; 2018:£40,000) were payable to Pricoa Capital Group in respect of the period.

From 1 March 2016, Pricoa Capital Group (and entities related to Pricoa Capital Group) were the holders of all the A ordinary shares of £0.01 each.

#### *Key management personnel*

Total compensation of key management personnel in the period amounts to £1,073,593 (2019: £832,769; 2018: £466,472) in respect of short-term employment benefits, £nil (2019: £nil; 2018: £nil) in respect of past-employment benefits and £nil (2019: £nil; 2018: £nil) in respect of termination benefits.

### **28 Ultimate controlling party**

The ultimate controlling party is PV Young.

### **29 Post balance sheet events**

The Group considers events only up to the date on which the audit report on the relevant underlying financial statements was originally signed by the auditor except in relation to the final period presented. In respect of the period to 31 October 2020, as at the date this historical financial information was approved, there are no post balance sheet events.

## **PART IV**

### **UNAUDITED *PRO FORMA* STATEMENT OF NET ASSETS**

The unaudited *pro forma* statement of net assets set out below has been prepared to illustrate the effects of the issue of ordinary shares on the net assets of the Group, had the issue (and the adjustments set out below as described in notes 1 to 4) taken place on 31 October 2020. The *pro forma* statement of net assets has been prepared for illustrative purposes only in accordance with Annex II of the Prospectus Directive Regulation and should be read in conjunction with the notes set out below. Because of its nature, such statement addresses a hypothetical situation and therefore does not represent the Group's financial position as at 31 October 2020. No account has been taken of any results or other activity since 31 October 2020.

The unaudited *pro forma* financial information set out below is compiled on the basis set out above and in accordance with the accounting policies applied in preparing the Group's consolidated historical financial information for the 18 months ended 31 October 2020 included in Part III.

	Net assets at 31 October 2020 Note <sup>1</sup> £000	Non-cash movement £000	Adjustment for issue of Placing shares pursuant to the Placing Note <sup>2</sup> £000	Adjustment for repayment of existing bank debt and shareholder loan notes Note <sup>3</sup> £000	Unaudited <i>pro forma</i> net assets Note <sup>4</sup> £000
<b>Non-current assets</b>					
Goodwill	31,249				31,249
Intangible assets	412				412
Property, plant and equipment	9,310				9,310
Right-of-use assets	20,600				20,600
Investments	20				20
Investment property	175				175
	61,766				61,766
<b>Current assets</b>					
Inventories	23,198				23,198
Trade and other receivables	44,558				44,558
Cash and cash equivalents	342		60,700	(60,546)	496
	68,098		60,700	(60,546)	68,252
<b>Total assets</b>	129,864		60,700	(60,546)	130,018
<b>Current liabilities</b>					
Trade and other payables	40,307				40,307
Interest bearing loans and borrowings	17,681			(12,868)	4,813
Lease liabilities	5,202				5,202
Tax payable	1,984				1,984
	65,174			(12,868)	52,306
<b>Non-current liabilities</b>					
Interest bearing loans and borrowings	43,079	4,599		(47,678)	–
Lease liabilities	16,200				16,200
Other financial liabilities	5,410	(5,410)			–
Deferred tax liabilities	54				54
	64,743	(811)		(47,678)	16,254
<b>Total liabilities</b>	129,917	(811)		(60,546)	68,560
<b>Net assets</b>	(53)	811	60,700	–	61,458

(1) The financial information has been extracted, without material adjustment, from the unaudited consolidated historical financial information of the Group as set out in Part III: “Historical Financial Information” of this Document.

(2) The net proceeds of the Placing of £60.7 million are calculated on the basis that the Company places 42,666,677 new Ordinary Shares of £0.01 each at a price of 150 pence per share, net of estimated expenses in connection with the Placing of approximately £3.3 million.

(3) As set out in paragraph 10 of Part 1, The Placing and Secondary Placing.

(4) No adjustment has been made to reflect the trading results of the Group since 31 October 2020.

## PART V

### CORPORATE GOVERNANCE

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

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

QCA principle	Explanation
<b>1. Establish a strategy and business model which promote long-term value for shareholders</b>	Externally, the Group intends to document and communicate its purpose, strategic objectives, business model and the period in which its objectives are to be achieved and what is required to achieve these objectives, <i>via</i> :
	<ul style="list-style-type: none"> <li>• <i>The annual report (e.g. the maiden annual reporting period to 31 October 2021);</i></li> </ul>
	<ul style="list-style-type: none"> <li>• <i>Results presentations – CEO focus on the strategy and progress against this (e.g. the maiden annual reporting period to 31 October 2021, where the Group expects to present only if requested or by conference call); * and</i></li> </ul>
	<ul style="list-style-type: none"> <li>• <i>The Group's website – In due course a summary review of the year section on the Group website pages or similar (effectively an on-line version of sections of the Group's annual report). *</i></li> </ul>
	In addition, it is expected that the AGM may be a relatively brief meeting, with a limited number of Shareholders in attendance, to fulfil the legal requirement. Often, little discussion can be held relating to purpose, strategy and business model at an AGM for an AIM company of this size. It is possible that the Group may seek to utilise the AGM opportunity, if appropriate, to communicate to Shareholders matters such as overall purpose, strategic objectives, business model and operational plans in place to achieve these. This will depend on the levels of Shareholder attendance and interest experienced by the Board at each AGM.
	The key challenges in the execution of the Group's strategy and business model are documented in the Risk Factors section (Part II) of this Document. After this, key risk factors will be in each set of annual reports and also on the Group's website, with appropriate mitigating factors and action plans where not already addressed.
	The Group will hold monthly management board meetings (not in August or December), Board meetings and at least an annual budgeting process to discuss and review the rolling strategic plan and any change projects. The Group executive directors will be actively involved in the

QCA principle	Explanation
	day-to-day operations of the Group and maintain a regular dialogue with operational teams in all divisions.
	The Group's purpose, strategy and business model are communicated internally through the annual budget with individual targets assigned as appropriate in order to achieve budget.
	<i>*To be updated for the Group at or shortly after admission to AIM.</i>
<b>2. Seek to understand and meet shareholder needs and expectations</b>	The Board will regularly inform and engage with Shareholders, including at the AGM.
	The Remuneration Committee will pay regard to the expectations of Shareholders in carrying out its duties.
	The engagement of a Group financial PR consultancy, in conjunction with the Nominated Adviser, Sole Bookrunner and Sole Broker to the Group, is intended to help create a broad, stable, long term and supportive Shareholder and potential Shareholder base. The Board will ensure that when appropriate Shareholder views are obtained <i>via</i> either of these advisers.
	The Senior Independent Non-Executive Director (the "SID") will be available to Shareholders as an alternative channel of communication if they have concerns that contact through the normal channel of the Chairman has failed to resolve, or for which such contact is inappropriate. This will be detailed on the Group's website.
	The Company Secretary often will also act as the link between the Group and Shareholders on matters of governance and investor relations. This will be detailed on the Group's website.
	The Group's website will have a dedicated investor relations website page. It is intended that any separate operational websites will include a link to the Group website to ensure that appropriate information is communicated to Shareholders.
	Details of the results of Shareholder voting will be communicated, it is expected, on the AGM website page.
	Announcements of the results of Shareholder voting will be included, it is expected, on the Group RNS website page.
<b>3. Take into account wider stakeholder and social responsibilities and their implications for long-term success</b>	The board identifies the Group's stakeholders and seeks to understand their needs, interests and expectations, by, <i>inter alia</i> , the following means:
	<ul style="list-style-type: none"> <li>• Regular supplier communications, both at Group and entity level;</li> </ul>
	<ul style="list-style-type: none"> <li>• Regular customer communications, both at Group and entity level;</li> </ul>



QCA principle	Explanation
	<ul style="list-style-type: none"> <li>Undertaking joint business planning exercises with suppliers and customers;</li> </ul>
	<ul style="list-style-type: none"> <li>Entity level awareness of staff needs and expectations with feedback to and from line managers; and</li> </ul>
	<ul style="list-style-type: none"> <li>Liaison with regulators and other concerned parties.</li> </ul>
	The success of the Group's strategy is in part built upon the maintenance of internal and external relationships and the communication of the benefits of what the wider Group can bring to a particular stakeholder ( <i>i.e.</i> a customer of just one particular entity).
	The above will be detailed on the Group's website in the purpose, business model and strategy disclosures.
	Where matters arise relating to the Group's impact upon society, communities or the environment which may affect the Group's ability to deliver Shareholder value, for example vehicle fleet management, product sugar content and alcohol wholesaling, these are managed by way of DVSA compliance, sugar tax compliance and registration as an alcohol wholesaler respectively. As such these are incorporated into the Group's risk management framework (and specifically mentioned in the Group's risk register).
	Formalising a CSR (Corporate Social Responsibility) policy has not been considered by the Group to date. Given the Group's admission to AIM, the volume of work as a newly listed entity and the number of other projects envisaged for the Group, the expectation is that there will not be a CSR policy in place in the medium term. This situation will be kept under review by the Board.
	The key stakeholder groups, the means of the Group obtaining feedback from these groups, and the resultant actions, which will be detailed throughout the Group's website (though not specifically grouped in a single list) are:
	<ul style="list-style-type: none"> <li>Shareholders – Presentations, AGM and feedback from financial PR firm and Nominated Adviser, Sole Bookrunner and Sole Broker – To be implemented after the Group's admission to AIM with actions to follow;</li> </ul>
	<ul style="list-style-type: none"> <li>Any stakeholder group having a need or expectation to be met – Open communication at all levels – Resultant actions taken as deemed appropriate and if significant mentioned in any discussion of the Group's business plan and progress;</li> </ul>
	<ul style="list-style-type: none"> <li>Suppliers and customers – Open and regular dialogue maintained – Feedback able to be</li> </ul>

QCA principle	Explanation
	given at any time – Resultant actions taken as deemed appropriate; and
	<ul style="list-style-type: none"> <li>Employees – feedback possible with line managers and senior staff at entity level, open door policy at Group level – resultant actions taken as deemed appropriate.</li> </ul>
<b>4. Embed effective risk management, considering both opportunities and threats, throughout the organisation</b>	The Board is responsible for maintaining and reviewing the effectiveness of the Group's risk management activities, intended to monitor and mitigate, rather than eliminate, the significant risks that the Group is exposed to. The Group has implemented policies and procedures to address risk including with respect to wholesaling, warehouse and fleet operations, customer credit and compliance.
	The Group has a risk management framework designed and agreed, summary details of which will be in the Group's next annual report and on the Group's website. The risk management framework considers the Group's purpose, strategy and business model in terms of its risk management approach, the Group's accepted risk appetite in conjunction with its risk register. The risk register identifies, <i>inter alia</i> , strategic, compliance, operational, reputational and financial risks. The accepted risk appetite of the Group will be adhered to through the Group's system of internal control, which includes an authorisation matrix.
	The risk register will consider all areas including extended areas of the Group's business and the supply chain, from key suppliers to end-customers.
	Summary details of the following Board committees will be in the Group's next annual report and on the Group's website:
	<ul style="list-style-type: none"> <li>Kitwave has not had an Audit Committee prior to its Admission to AIM. A new Audit Committee will be established for the Group on Admission to AIM in order to support the Board in monitoring the Group's risk appetite and exposures and to oversee the System of Internal Control (and the risk management framework), and to monitor the integrity of all formal reports and announcements relating to the Group's financial performance. Moreover, the Audit Committee shall be responsible for the appointment of any internal auditors or the assignment of internal audit responsibilities, maintain an appropriate relationship with them, and with the external auditor, and communicate findings to the Board.</li> </ul>
	<ul style="list-style-type: none"> <li>Kitwave has not had a Remuneration Committee prior to its Admission to AIM. A new Remuneration Committee will be set up for the Group on Admission to AIM, which will ensure</li> </ul>

QCA principle	Explanation
	the right behaviour and adhere to the Group's risk appetite by designing a remuneration policy aligned with the Group's targets and in line with best practices and guidance.
	<ul style="list-style-type: none"> <li>Kitwave has not had Nomination Committee prior to the Admission to AIM. A new Nomination Committee will be set up for the Group on Admission to AIM to identify the skills and experience required by the Board and the Group, to consider succession plans and internal and external candidates, and to ensure that the right mix of skills and experience are employed to facilitate the stated risk management framework.</li> </ul>
	<ul style="list-style-type: none"> <li>Kitwave has not had Disclosure Committee prior to the Admission to AIM. A new Disclosure Committee will be set up for the Group on Admission to AIM.</li> </ul>
	The Audit Committee report and the Remuneration Committee report (covering remuneration policy and practice alignment with Company strategy) are expected to be included in each annual report, as is a statement on auditor independence for the Group, and the auditor's report to the Audit Committee will feature comment on the finance function and internal controls.
<b>5. Maintain the board as a well-functioning, balanced team led by the chair</b>	The Board is charged with responsibility for the stewardship of the Group and for ensuring that corporate governance arrangements are appropriate for the nature and complexity of the Group's operations and its status as an AIM listed entity after Admission to AIM.
	The Board will be supported by a management board who will have responsibility for day-to-day oversight of the Group's activities.
	The Chairman will hold overall responsibility for maintaining a good corporate governance regime.
	It is the responsibility of the Company Secretary to ensure timely delivery of information to the Board to facilitate proper assessment of the matters requiring a decision or insight. It is anticipated that a board pack will be issued following the monthly management board meetings, which in practice will be 48 hours preceding the time at which each Board meeting is held. It is a requirement that all executive and senior management provide all information deemed necessary for the Board meetings in a timely manner to the relevant directors.
	The balance of the Board will be disclosed in the Group's annual report and accounts and the Board will comprise four Directors, of which two will be non-executive. At the time of Admission to AIM,

QCA principle	Explanation
	the two non-executive directors have been identified as being independent. The Board deem this appropriate due to the balance of skills and experience held by each individual director, in the context of the current size of the Group and its growth potential.
	The independent directors will be identified in their profiles with reasons given as to why the Board deem the independent directors to be independent should the situation arise where a director's independence may contravene an indication of independence, for example:
	<ul style="list-style-type: none"> <li>• Has been an employee within last 5 years;</li> </ul>
	<ul style="list-style-type: none"> <li>• Has had a material business relationship within the last three years;</li> </ul>
	<ul style="list-style-type: none"> <li>• Has received additional remuneration, apart from a director fee, participated in share option schemes or pension schemes;</li> </ul>
	<ul style="list-style-type: none"> <li>• Has close family ties with advisers, directors or senior employees; and</li> </ul>
	<ul style="list-style-type: none"> <li>• Is a significant Shareholder.</li> </ul>
	The Board and the Nomination Committee will seek to ensure that it has a suitable balance between independence (of both character and judgement) on the one hand, and knowledge of the Group on the other, to enable it to discharge its duties and responsibilities effectively. All Directors will be encouraged to use their independent judgement and to challenge all matters, whether strategic or operational.
	The time commitment expected from the Directors will be disclosed in the Group's annual report and accounts, together with the attendance record of each Director.
	The Board will meet no more than ten times a year for the first year as an AIM listed company, and more often if required. In addition, the Board will meet at the AGM.
	The individual Board committees will meet in a timely manner. The Audit Committee will meet at least three times a year, the Nomination Committee at least twice a year and the Remuneration Committee at least three times a year. The Disclosure Committee may be required to convene at short notice to deal with urgent matters, as such these committee members will meet at such times it is necessary or appropriate to do so.
	The internal advisory responsibilities of the Audit Committee, Remuneration Committee and Nomination Committee will be summarised on the Group's website.

QCA principle	Explanation
	<p>The Chairman's letter of appointment anticipates an expected time commitment involving attendance at all Board meetings, the AGM and any other general meetings arising. The Chairman will also attend committee meetings of which the Chairman chairs or is a member of, as well as being required from time to time to attend meetings with major Shareholders, management, staff and professional advisers. Overall the Chairman is available, as required, to attend to the business of the Group. The letters of appointment for non-executive directors state that, in accepting the appointment, the director confirms that he is able to allocate sufficient time to meet the expectations of the role. Service agreements and letters of appointment for the directors and non-executives are available for inspection at the Company's registered office and at each AGM.</p>
<p><b>6.—Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities</b></p>	<p>The Board composition upon Admission is assumed to bring an appropriate balance of skills and experience to the governance of the business.</p>
	<p>The Board will disclose in the Group's next annual report a description of the relevant skills, capabilities, personal qualities and experience that the executive and non-executive directors have and how this mix will deliver the Group's strategy.</p>
	<p>The Board will disclose in the Group's next annual report a description of the role, responsibility and accountability of each Board committee in full. In addition, the roles performed by the Company Secretary and the SID, in advising and supporting the Board will be explained.</p>
	<p>Where the Board or any committee has sought external advice on a significant matter, this will be described and explained in the Group's maiden annual report along with a description of that role employed.</p>
	<p>It is not expected that the Group will have any dominant director Shareholders by virtue of their material shareholding upon Admission to AIM. The Board is aware of its duty to hear the voices of, and protect the interests of, minority Shareholders and would put in place contractual arrangements (in the form of relationship agreements) for any dominant Shareholders to protect minority Shareholder interests should this become necessary with appropriate disclosure to be made in the Group's next annual report for the Group.</p>
	<p>The SID and the Company Secretary are able to act as an alternative means of communication for stakeholder concerns, where the normal lines of communication are not appropriate or would not result in due balanced consideration being given to a matter.</p>

QCA principle	Explanation
	The new Nomination Committee will be set up on Admission to AIM to identify the skills and experience required by the Board and the Group as they evolve, and to consider succession plans and internal and external candidates.
<b>7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement</b>	The Board has not historically operated a formal appraisal process to assess its own performance and the performance of the Audit and/or Remuneration Committees, however, the Group CFO has historically been due to be subject to annual appraisals, though these have not always occurred.
	Post the Group's Admission to AIM, each year the Board will undertake a formal internal evaluation of its own performance and that of its committees and individual directors.
	The Group will not disclose in the Group's annual report or on its website a description of the performance evaluation procedures for each director, sub-committee and the Board as a whole focussing on their objectives and outcomes as the relative size of the Board at Admission is not thought to warrant this.*
	The Group will not disclose in the Group's annual report or on its website a description of how performance evaluation has evolved from previous years and the results of this change, as the relative size of the Group at Admission is not thought to warrant this and the Group up to then has been a private entity under a different corporate governance regime. *
	The Group's approach to succession planning and the processes by which it determines Board and other senior management appointments, including any links to the Board evaluation process will be disclosed on the Group website within the mention of the Remuneration Committee.
	In terms of succession planning, before any appointment is made by the Board, the Nomination Committee will evaluate the balance of skills, knowledge, experience and diversity on the Board. On appointment to the Board, directors will undertake a tailored induction programme and receive a broad range of information about the Group, appropriate to their existing knowledge and experience, and the committees to which they will be appointed. Development and training for the directors is an ongoing process which includes briefings on legislative and regulatory changes and on corporate governance matters.
	All directors are required to seek election by Shareholders at the first opportunity after their appointment and are obliged to retire by rotation and are eligible for re-election, subject to continued satisfactory performance, at the third



QCA principle	Explanation
	AGM after the AGM at which they were elected. Any director appointed by the Board holds office only until the next AGM when he is eligible for election. This will be disclosed in the Group's annual report.
	The Group may (by ordinary resolution of which special notice has been given) remove any director before the expiration of his period of office.
	* <i>How performance is evaluated on the level of Board, committee and individual director is yet to be decided for the Group. The non-executive directors, led by the SID, will be responsible for performance evaluation of the Chairman, considering the views of executive directors. The best approach (internal or external, quantitative or qualitative) for the Board, committees and other individual directors will be decided upon but not disclosed.</i>
<b>8. Promote a corporate culture that is based on ethical values and behaviours</b>	The Group seeks to embody and promote a corporate culture that is based on sound ethical values and behaviours which can be used as an asset and a source of competitive advantage by way of, <i>inter alia</i> :
	<ul style="list-style-type: none"> <li>● The Group's culture in general, e.g.:</li> </ul>
	<ul style="list-style-type: none"> <li>○ Management and executive director open door policy;</li> </ul>
	<ul style="list-style-type: none"> <li>○ Whistleblowing policy; and</li> </ul>
	<ul style="list-style-type: none"> <li>○ Anti-bribery and corruption policy.</li> </ul>
	<ul style="list-style-type: none"> <li>● The Group's approach to trading, e.g.:</li> </ul>
	<ul style="list-style-type: none"> <li>○ Missing trader policy; and</li> </ul>
	<ul style="list-style-type: none"> <li>○ Know your customer checks (incl. VAT compliance).</li> </ul>
	<ul style="list-style-type: none"> <li>● The Group's corporate responsibility culture, e.g.:</li> </ul>
	<ul style="list-style-type: none"> <li>○ Health and safety policies (covering employees and selected stakeholders);</li> </ul>
	<ul style="list-style-type: none"> <li>○ Tax policies; and</li> </ul>
	<ul style="list-style-type: none"> <li>○ Product tax planning.</li> </ul>
	The Group will include a statement in the Group's maiden annual report explaining what the Board does to monitor and promote a healthy corporate culture and that the Board assesses the state of the culture at by way of, <i>inter alia</i> , the monthly management board meeting agenda items, the Board meeting agenda items (including 'any other business') and the management and executive director open door policy.
	The Group will explain how the Board ensures that the Company has the means to determine that ethical values and behaviours are recognised and

QCA principle	Explanation
	respected as part of the narrative in the corporate governance disclosure on its website.
<b>9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board</b>	The Board is committed to a high standard of corporate governance across the Group, recognising that it is important in protecting Shareholders' interests and the long-term success of the Group.
	In addition, for the Group, enhanced governance structures and processes will be put in place.
	The Chairman will provide a high-level explanation of the application of the QCA Code in the Group's next annual report.
	The QCA Code will be implemented on a "comply or explain" basis, whereby there is an acceptance that non-compliance is not wrong, provided there is a well-justified explanation which properly describes why such non-compliance is appropriate for the Group and is in the best interests of its Shareholders.
	Progress, and how it is intended to be made, in terms of governance structures against the Group's objectives, strategy and business model, will be detailed in the Group's next annual report.
	The Group website will, in addition to the high-level explanation of the application of the QCA Code set out in the Chairman's corporate governance statement, describe:
	<ul style="list-style-type: none"> <li>• The roles and responsibilities of the Chairman, CEO, CFO and Company Secretary or any other directors who have specific individual responsibilities or remits (e.g. for engagement with Shareholders or other stakeholder groups);</li> </ul>
	<ul style="list-style-type: none"> <li>• The roles of any committees (e.g. Audit, Remuneration and Nomination Committees) setting out any terms of reference and matters reserved by the Board for its consideration;</li> </ul>
	<ul style="list-style-type: none"> <li>• Which matters are reserved for the Board; and</li> </ul>
	<ul style="list-style-type: none"> <li>• Any plans for evolution of the governance framework in line with the Group's plans for growth.</li> </ul>
<b>10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders</b>	The Board will be responsible for directing the affairs of the Group in a manner that meets both Shareholder and regulatory requirements and is consistent with current corporate governance standards.
	The Board will regularly inform and engage with shareholders.
	The SID will be available to Shareholders as an alternative channel of communication if they have concerns that contact through the normal channel of the Chairman has failed to resolve, or for which such contact is inappropriate. The Company

QCA principle	Explanation
	Secretary often will also act as the link between the Group and Shareholders on matters of governance and investor relations.
	The Remuneration Committee will pay regard to the views of Shareholders in carrying out its duties.
	The engagement of a Group financial PR consultancy, in conjunction with the Nominated Adviser, Sole Bookrunner and Sole Broker to the Group, is intended to help create a broad, stable, long term and supportive Shareholder and potential Shareholder base. The Board will ensure that Shareholders are provided with sufficient information for them to understand the risk: reward balance to which they are exposed by holding Ordinary Shares.
	The Group's next annual report and accounts are intended to disclose or include:
	<ul style="list-style-type: none"> <li>• The work of any Board committees undertaken during the year;</li> </ul>
	<ul style="list-style-type: none"> <li>• An Audit Committee report (or equivalent);</li> </ul>
	<ul style="list-style-type: none"> <li>• A Remuneration Committee report (or equivalent);</li> </ul>
	<ul style="list-style-type: none"> <li>• If the Company has not published one or more of the disclosures set out under QCA Code Principles 1-9, the omitted disclosures will be identified and the reason for their omission explained under the 'comply or explain' basis.</li> </ul>
	The Group's website will have a dedicated investor relations website page. Post Admission to AIM, it is intended that any separate operational websites will include a link to the Group website to ensure that appropriate information is communicated to Shareholders.
	Details of the results of Shareholder voting will be communicated, it is expected, on the AGM website page in a clear and transparent manner.
	Announcements of the results of Shareholder voting will be included, it is expected, on the Group's RNS website page.
	If a significant proportion of votes have been cast against a resolution at any general meeting, the Group website will include, on a timely basis, an explanation of what actions it intends to take to understand the reasons behind that vote result, and, where appropriate, any different action it has taken, or will take, as a result of the vote.
	The Group website will include historical annual reports and other governance-related material, including notices of all general meetings held over the last five years.

## PART VI

### ADDITIONAL INFORMATION

#### 1. Responsibility

- 1.1 The Company (whose registered office appears on page 11) and the Directors (whose full names and functions appear on page 11) accept responsibility (individually and collectively) for the information contained in this Document. To the best of the knowledge and belief of the Company and the Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. The Company

- 2.1 The Company was incorporated and registered in England and Wales as a private limited company on 27 November 2015 under the Act with registered number 09892174. On 5 May 2021, the Company was re-registered as a public limited company.
- 2.2 As at the date of this Document, the name of the Company is Kitwave Group plc.
- 2.3 The governing document of the Company is its Articles, which are summarised in paragraph 5 of this Part VI. The primary company legislation under which the Company operates is, and the share capital of the Company was created under, the Act and regulations made under it.
- 2.4 The registered office of the Company is at Unit S3 Narvik Way, Tyne Tunnel Trading Estate, North Shields, Tyne and Wear, United Kingdom, NE29 7XJ. The Company is domiciled in the UK for tax purposes. The telephone number of the Company is 0191 259 2277.
- 2.5 The liability of the members of the Company is limited to the amount, if any, unpaid on the shares in the Company held by them.
- 2.6 The address of the Company's website, which, from Admission, will disclose information required by Rule 26 of the AIM Rules, is [www.kitwave.co.uk](http://www.kitwave.co.uk).
- 2.7 In March 2016 the Company acquired Kitwave Investments Limited as part of a larger investment process. The Group has grown since 1987 due to a number of historic acquisitions. The Company, which is the parent company of the Group, has the following directly held subsidiary undertakings as at Admission:

The Company holds the entire issued share capital of Kitwave Investments Limited, which is registered in England and Wales. Kitwave Investments Limited holds all of the shares and voting rights in Kitwave One Limited, which is registered in England and Wales. Kitwave One Limited holds all of the shares and voting rights in Kitwave Limited, which is registered in England and Wales.

Kitwave Limited has the following directly held wholly-owned subsidiary undertakings which are all registered in England and Wales:

Name	Proportion of shares and voting rights held
H B Clark Holdings Limited	100%
Turner & Wrights Limited	100%
F.W. Bishop & Son Limited	100%
Automatic Retailing (Northern) Limited	100%
M. & M. Value Limited	100%
Westone Wholesale Limited	100%
Eden Farm Limited	100%
Squirrels UK Limited	100%
David Miller Frozen Foods Limited	100%

H B Clark Holdings Limited holds all of the shares and voting rights in H.B.Clark & Co.(Successors) Limited, which is registered in England and Wales.

H.B.Clark & Co.(Successors)Limited has the following directly held wholly-owned subsidiary undertakings which are all registered in England and Wales:

<b>Name</b>	<b>Proportion of shares and voting rights held</b>
Churnet Valley Drinks Limited	100%
Clarks Fine Wines Limited	100%
F.A.M. Soft Drinks Limited	100%
Thorne Licence Wholesale Limited	100%

Turner & Wrights Limited holds all of the shares and voting rights in Andersons (Wholesale) Limited, which is registered in England and Wales.

F.W. Bishop & Son Limited holds all of the shares and voting rights in Teatime Tasties Limited, which is registered in England and Wales. Teatime Tasties Limited holds all of the shares and voting rights in TG Foods Limited.

Eden Farm Limited has the following directly held wholly-owned subsidiary undertakings which are both registered in England and Wales:

<b>Name</b>	<b>Proportion of shares and voting rights held</b>
Angelbell Limited	100%
Phoenix Fine Foods Limited	100%
Central Supplies (Brierley Hill) Ltd	75%

Angelbell Limited has the following directly held wholly-owned subsidiary undertakings which are both registered in England and Wales:

<b>Name</b>	<b>Proportion of shares and voting rights held</b>
MAS Frozen Foods Limited	100%
Supplytech Limited	100%

Squirrels UK Limited holds all of the shares and voting rights in Thurston's Foods Limited, which is registered in England and Wales.

David Miller Frozen Foods Limited holds all of the shares and voting rights in Alpine Fine Foods Limited, which is registered in England and Wales.

### **3. Share capital of the Company**

#### **3.1 The issued share capital of the Company:**

3.1.1 as at the date of this Document is £50,097.50; and

3.1.2 immediately prior to Admission is expected to be £273,333.23.

#### **3.2 The issued share capital of the Company immediately following Admission is expected to be £700,000.**

- 3.3 The issued share capital of the Company immediately following the Placing and Admission will consist of the Existing Ordinary Shares (which includes the Secondary Placing Shares) and the Placing Shares.
- 3.4 The Placing Shares will rank in full for all dividends or other distributions hereafter declared, paid or made on the Ordinary Shares from Admission.
- 3.5 The history of the Company's share capital from incorporation is as follows:
  - 3.5.1 the Company was incorporated on 27 November 2015 with 1 ordinary share of £1 issued, fully paid at par, to the subscriber;
  - 3.5.2 on 1 March 2016, the 1 ordinary share of £1 in the capital of the Company was subdivided into 100 ordinary shares of £0.01 each in the capital of the Company;
  - 3.5.3 on 1 March 2016, the Company allotted 24,000 A ordinary shares of £0.01 each, 55,982 B1 ordinary shares of £0.01 each, 10,648 B2 ordinary shares of £0.01 each, 9,270 B3 ordinary shares of £0.01 each and 100 C1 ordinary shares of £0.01 each, credited as fully paid, bringing the issued share capital of the Company to 100,100 shares with a total aggregate nominal value of £1,001;
  - 3.5.4 on 25 April 2016, the Company allotted 600 C3 ordinary shares of £0.001 each, credited as fully paid, bringing the issued share capital of the Company to 100,700 shares with a total aggregate nominal value of £1,001.60;
  - 3.5.5 on 30 May 2017, the Company allotted 10 C3 ordinary shares of £0.001 each, credited as fully paid, bringing the issued share capital of the Company to 100,710 shares with a total aggregate nominal value of £1,001.61;
  - 3.5.6 on 1 May 2019 the Company allotted 390 C3 ordinary shares of £0.001 each credited as fully paid, bringing the issued share capital of the Company to 100,730 shares with a total aggregate nominal value of £1,002;
  - 3.5.7 on 28 January 2021, the Company bought back and cancelled 50 C3 ordinary shares of £0.001 each;
  - 3.5.8 on 16 April 2021, the Company allotted, by way of a *pro rata* 49:1 bonus issue of each class of share then in issue, a further 4,951,450 shares, immediately following which all of the Company's shares were consolidated on a 50:1 basis across each class of share then in issue.
  - 3.5.9 on 30 April 2021, conditional on Admission and in the following order, the Company proposed to:
    - 3.5.9.1 consolidate its C3 ordinary shares of £0.05 each on a 10:1 basis, creating C3 ordinary shares of £0.50 each;
    - 3.5.9.2 subdivide all of its shares on a 50:1 basis, so that all of its issued shares had a nominal value of £0.01 each;
    - 3.5.9.3 allot additional shares by way of bonus issue to all of its shareholders in the following proportions:
      - 3.5.9.3.1 A ordinary shares – 4.47:1
      - 3.5.9.3.2 B1 ordinary shares – 2.58:1
      - 3.5.9.3.3 B2 ordinary shares – 2.58:1
      - 3.5.9.3.4 B3 ordinary shares – 2.58:1
      - 3.5.9.3.5 C1 ordinary shares – 1,318.24:1
      - 3.5.9.3.6 C3 ordinary shares – 118.98:1
    - 3.5.9.4 convert all of its issued shares into Ordinary Shares (with fractional entitlements being re-designated into deferred shares); and
    - 3.5.9.5 buy back for a nominal sum, and thereafter cancel, all deferred shares in issue.

- 3.6 The Company does not have any treasury shares (i.e. shares in the Company held by the Company) as at the date of this Admission Document.
- 3.7 On 30 April 2021, the Company passed resolutions to:
  - 3.7.1 re-register the Company as a public limited company under the Act with the name "Kitwave Group plc";
  - 3.7.2 with effect from the re-registration as a public limited company, adopt articles of association applicable for a public limited company;
- 3.8 On each of the dates set out in paragraphs 3.5.7 and 3.5.8 above, the Company passed resolutions to effect the shares issues, consolidations, sub-divisions, conversions and buy backs set out in those paragraphs.
- 3.9 Application has been made for the Enlarged Ordinary Share Capital to be admitted to trading on AIM. The Ordinary Shares are not listed or traded on, and no application had been or is being made for the admission of the Ordinary Shares to listing or trading on, any other stock exchange or securities exchange or market.
- 3.10 Save as disclosed in this Part VI and as at the date of this Document:
  - 3.10.1 no share or loan capital of the Company has been issued or is proposed to be issued otherwise than fully paid;
  - 3.10.2 there are currently no outstanding convertible securities, exchangeable securities or securities with warrants issued by the Company;
  - 3.10.3 there are no shares in the Company not representing capital;
  - 3.10.4 there are no shares in the Company held by or on behalf of the Company itself;
  - 3.10.5 there are no acquisition rights and/or obligations over unissued share capital of the Company and the Company has made no undertaking to increase its share capital;
  - 3.10.6 no person has any preferential or subscription rights for any share capital of the Company;
  - 3.10.7 no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option; and
  - 3.10.8 no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital of the Company.

#### **4. Management Incentive Plan**

- 4.1 The Group has adopted, conditional on Admission, a management incentive plan (**MIP**), pursuant to which David Brind (Chief Financial Officer) and Ben Maxted (Group Operations Director, Head of Frozen & Chilled) will have the opportunity to share in the growth in value of the Ordinary Shares following Admission.
- 4.2 The MIP will operate on the following basis:
  - 4.2.1 David Brind (Chief Financial Officer) and Ben Maxted (Group Operations Director, Head of Frozen & Chilled) will, following Admission, subscribe in cash (at not less than tax market value) for a new class of share (Growth Shares) in the Company's subsidiary, Kitwave Limited.
  - 4.2.2 The Growth Shares will entitle participants to receive up to a maximum of 4 per cent. of the Group value (measured at the time the Growth Shares are sold) subject to:
    - 4.2.2.1 earnings per share (EPS) conditions having been met; and
    - 4.2.2.2 market capitalisation value hurdles having been exceeded.
  - 4.2.3 A maximum of 4 per cent. of the value of the Group will be awarded and will vest subject to hitting the target EPS performance measures during the 3 year vesting period and achieving a market capitalisation of not less than 140 per cent. of the market capitalisation of the Company at Admission at the time the award is



exercised. The 4 per cent. of the value of the Group will be the consideration to be paid by the Company for the acquisition of the Growth Shares and will be satisfied, at the discretion of the Company, in cash or by the issue of Ordinary Shares or a combination of both. There is no maximum value of the Group to which the 4 per cent. award will be applied.

- 4.2.4 If a participant in the MIP ceases to be employed by the Group, they may or may not be entitled to retain some or all of their Growth Shares, and the right to exchange them for Ordinary Shares, depending on when they cease to be employed and the reasons for the cessation. If a participant ceases to be employed by the Group as a result of retirement, incapacity, redundancy or a transfer of his or her employment to another employer by his employing company, then the participant can retain his or her Growth Shares (or a *pro rata* amount of them if the cessation takes place prior to the end of the initial 3 year period) and continue to participate in the MIP in accordance with its terms. If a participant ceases to be employed by the Group for any other reason, then the Company can buy back their Growth Shares for a nominal sum.

## **5. Articles of Association**

- 5.1 The following is a summary of certain provisions of the Articles and provisions of English company law, which apply to the Company. The summary is not a complete description of those matters and is qualified in its entirety by the actual documents which prospective shareholders are encouraged to review prior to purchasing or subscribing for shares in the Company.
- 5.2 The Company proposes to adopt the Articles, conditional on Admission, pursuant to a special resolution of the members of the Company in May 2021.
- 5.3 Definitions referred to within this paragraph 5 are the definitions referred to in the Articles.
- 5.4 The Articles contain no restrictions on the activities of the Company.
- 5.5 The Articles contain, amongst other matters, provisions to the following effect:
- 5.5.1 Voting rights
- 5.5.1.1 Subject to the Act, to any special terms as to voting on which any shares may have been issued or may for the time being be held and to any suspension or abrogation of voting rights under the Articles, at any general meeting every member who is present in person (or by proxy) shall on a show of hands have one vote and every member present in person (or by proxy) shall on a poll have one vote for each share of which he or she is the holder.
- 5.5.1.2 On a show of hands, a duly appointed proxy has one vote for and one vote against a resolution if the proxy has been 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 or by one or more of those members to vote either for or against the resolution and by one or more other of those members to use his or her discretion as to how to vote.
- 5.5.1.3 If two or more persons are joint holders of a share, then in voting on any question the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and seniority shall be determined by the order in which the names of the holders stand in the Register.
- 5.5.2 Transfer of shares
- 5.5.2.1 Every person (except a person to whom the Company is not by law required to issue a certificate) whose name is entered in the register as a holder of any certificated shares shall be entitled, without charge, to receive within the

time limits prescribed by the Act (unless the terms of issue prescribe otherwise) one certificate for all of the shares of that class registered in his or her name.

5.5.2.2 Under and subject to the uncertificated securities rules, the Board may permit title to shares of any class to be evidenced otherwise than by certificate and title to shares of such a class to be transferred by means of a relevant system and may make arrangements for a class of shares (if all shares of that class are in all respects identical) to become a participating class. Title to shares of a particular class may only be evidenced otherwise than by a certificate where that class of shares is at the relevant time a participating class. The Board may also, subject to compliance with the uncertificated securities rules, determine at any time that title to any class of shares may from a date specified by the Board no longer be evidenced otherwise than by a certificate or that title to such a class shall cease to be transferred by means of any particular relevant system.

5.5.2.3 In relation to a class of shares which is a participating class and for so long as it remains a participating class, no provision of the Articles shall apply or have effect to the extent that it is inconsistent in any respect with: the holding of shares of that class in uncertificated form; the transfer of title to shares of that class by means of a relevant system; or any provision of the uncertificated securities rules; and, without prejudice to the generality of Article 13.2, no provision of the Articles shall apply or have effect to the extent that it is in any respect inconsistent with the maintenance, keeping or entering up by the operator, so long as that is permitted or required by the uncertificated securities rules, of an operator register of securities in respect of that class of shares in uncertificated form.

5.5.2.4 Each member may transfer all or any of his or her shares which are in certificated form by instrument of transfer in writing in any usual form or in any form approved by the Board. Such instrument shall be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee. All instruments of transfer, when registered, may be retained by the Company.

5.5.2.5 The Board may, in its absolute discretion, refuse to register any transfer of a share in certificated form (or renunciation of a renounceable letter of allotment) unless it is for a share which is fully paid up; it is for a share upon which the Company has no lien; it is only for one class of share; it is in favour of a single transferee or no more than four joint transferees; it is duly stamped or is duly certificated or otherwise shown to the satisfaction of the Board to be exempt from stamp duty (if this is required); and it is delivered for registration to the registered office (or such other place as the Board may determine), accompanied (except in the case of a transfer by a person to whom the Company is not required by law to issue a certificate and to whom a certificate has not been issued or in the case of a renunciation) by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor (or person renouncing) and the due execution of the transfer or renunciation by him or her or if the transfer or renunciation is executed by some other person on his or her behalf, the authority of that person to do so.

### 5.5.3 Allotment of shares and pre-emption

5.5.3.1 Subject to the Act, the Articles and any relevant authority of the Company in general meeting required by the Act, the Board may offer, allot (with or without conferring rights of renunciation), grant options over or otherwise deal with or dispose of shares or grant rights to subscribe for or convert any security into shares to such persons, at such times and upon such terms as the Board may decide. No share may be issued at a discount.

- 5.5.3.2 Under and in accordance with section 551 of the Act, the Directors shall be generally and unconditionally authorised to exercise for each prescribed period all the powers of the Company to allot shares up to an aggregate nominal amount equal to the Section 551 Amount, which means for any prescribed period, the amount stated in the relevant ordinary or special resolution.
- 5.5.3.3 Under and within the terms of the authority or otherwise in accordance with section 570 of the Act, the Directors shall be empowered during each prescribed period to allot equity securities (as defined by the Act) wholly for cash: (a) in connection with a rights issue; and (b) otherwise than in connection with a rights issue up to an aggregate nominal amount equal to the Section 561 Amount, which means for any prescribed period, the amount stated in the relevant special resolution.
- 5.5.3.4 For the purposes of the above paragraphs, “prescribed period” means any period (not exceeding five years on any occasion) for which the authority, in the case of paragraph 5.5.3.2, is conferred or renewed by ordinary or special resolution stating the Section 551 Amount and, in the case of paragraph 5.5.3.3, is conferred or renewed by special resolution stating the Section 561 Amount.
- 5.5.4 Redeemable shares
- 5.5.4.1 Subject to the Act and to any rights attaching to existing shares, any share may be issued which can be redeemed or is liable to be redeemed at the option of the Company or the holder. The Board may determine the terms, conditions and manner of redemption of any redeemable shares which are issued and those terms and conditions shall apply to the relevant shares as if the same were set out in the Articles.
- 5.5.5 Annual General Meetings and General Meetings
- 5.5.5.1 An annual general meeting shall be held in each period of six months beginning with the day following the Company’s accounting reference date at such place, date and time (consistent with the terms of the Companies Acts), including partly (but not wholly) by means of electronic facility or facilities, as may be determined by the Board.
- 5.5.5.2 The Board may, whenever it thinks fit, and shall on requisition in accordance with the Act, proceed to convene a general meeting.
- 5.5.5.3 If, after the sending of the notice of a general meeting but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Board, in its absolute discretion, considers that it is impracticable or unreasonable for any reason to hold a general meeting on the date or at the time or place specified in the notice calling the general meeting (including a satellite meeting to which Article 47.7 applies) and/or by means of the Electronic Facility or facilities specified in the notice, it may postpone the general meeting to another date, time and/or place (or in the case of a general meeting to be held at a principal meeting place and one or more satellite meeting places, to such other places) and/or change the Electronic Facility or facilities. If such a decision is made, the Board may then change the place (or any of the places in the case of a general meeting to which Article 47.7 applies) and/or the Electronic Facility or facilities and/or postpone the date and/or time again if it considers that it is reasonable to do so. No new notice of the general meeting need be sent but the Board shall take reasonable steps to ensure that notice of the change of date, time, place (or places, in the case of a general meeting to which Article 47.7 applies) of and/or Electronic Facility or facilities for the postponed meeting appear at the original time and at the original place (or places, in the case of a general meeting to which Article 47.7 applies) and/or on the original Electronic Facility or facilities. When a general meeting is

so postponed, notice of the date, time and place (or places in the case of a meeting to which Article 47.7 applies), including any Electronic Facility if applicable, of the postponed meeting shall be given in such manner as the Board may, in its absolute discretion, determine. No business shall be transacted at any postponed meeting other than business which might properly have been transacted at the meeting had it not been postponed. Notice of the business to be transacted at such postponed meeting shall not be required. If a general meeting is postponed in accordance with Article 49, the appointment of a proxy will be valid if it is delivered and received as required by the Articles not less than 48 hours before the time appointed for holding the postponed meeting. When calculating the 48 hour period, the Directors can decide not to take account of any part of a day that is not a working day the Board may direct that any person wishing to attend any meeting should provide such evidence of identity and submit to such searches or other security arrangements or restrictions as the Board shall consider appropriate in the circumstances and shall be entitled in its absolute discretion to refuse entry to any meeting to any person who fails to provide such evidence of identity or to submit to such searches or to otherwise comply with such security arrangements or restrictions.

- 5.5.5.4 Subject to the Act (and without prejudice to any other powers vested in the chair of a meeting) when conducting a general meeting, the chair may make whatever arrangement and take such action or give such directions as he or she considers, in his or her absolute discretion, to be appropriate or conducive to promote the orderly conduct of the meeting, to promote the conduct of the business laid down in the notice of the meeting with reasonable despatch and to maintain good order. The chair's decision on points of order, matters of procedure or on matters arising incidentally from the business of the meeting shall be final and conclusive, as shall his or her determination as to whether any point or matter is of such a nature.

5.5.6 Declaration of dividends

- 5.5.6.1 Subject to the Act and the Articles, the Company may by ordinary resolution declare dividends to be paid to Members according to their respective rights and interests in the profits of the Company. However, no dividend shall exceed the amount recommended by the Board, subject to the Act, the Board may declare and pay such interim dividends (including any dividend at a fixed rate) as appears to the Board to be justified by the profits of the Company available for distribution. If the Board acts in good faith, it shall not incur any liability to the holders of shares for any loss that they may suffer by the lawful payment of any interim dividend on any other class of shares ranking with or after those shares.
- 5.5.6.2 Subject to the Act, the Board may declare and pay such interim dividends (including any dividend at a fixed rate) as appears to the Board to be justified by the profits of the Company available for distribution. If the Board acts in good faith, it shall not incur any liability to the holders of shares for any loss that they may suffer by the lawful payment of any interim dividend on any other class of shares ranking with or after those shares.

5.5.7 Directors

- 5.5.7.1 Unless otherwise determined by the Company by ordinary resolution, the number of directors (other than any alternative directors) shall be at least two but shall not be subject to any maximum number.
- 5.5.7.2 Subject to the Act and provided he has declared the nature and extent of his interest in accordance with the requirements of the Act, a director who is in any way, whether directly or indirectly, interested in an existing or proposed transaction or arrangement with the Company may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise (directly or indirectly) interested.

#### 5.5.8 Permitted interests and voting

5.5.8.1 A Director cannot vote or be counted in the quorum on any resolution relating to any transaction or arrangement with the Company in which the Director has an interest and which may reasonably be regarded as likely to give rise to a conflict of interest but can vote (and be counted in the quorum) on the following:

5.5.8.1.1 any security, guarantee or indemnity for any money or any liability which the Director, or any other person, has lent or obligations the Director or any other person has undertaken at the request, or for the benefit, of the Company or any of its subsidiary undertakings;

5.5.8.1.2 any security, guarantee or indemnity to any other person for a debt or obligation which is owed by the Company or any of its subsidiary undertakings, to that other person if the Director has taken responsibility for some or all of that debt or obligation. The Director can take this responsibility by giving a guarantee, indemnity or security;

5.5.8.1.3 a proposal or contract relating to an offer of any shares or debentures or other securities for subscription or purchase by the Company or any of its subsidiary undertakings, if the Director takes part because he or she is a holder of shares, debentures or other securities, or if he or she takes part in the underwriting or sub-underwriting of the offer;

5.5.8.1.4 any arrangement for the benefit of employees of the Company or any of its subsidiary undertakings which only gives him or her benefits which are also generally given to employees to whom the arrangement relates;

5.5.8.1.5 any arrangement involving any other company if the Director (together with any person connected with the Director) has an interest of any kind in that company (including an interest by holding any position in that company or by being a shareholder of that company). This does not apply if he or she knows that he has a Relevant Interest.

#### 5.5.9 Remuneration of Directors

5.5.9.1 Each of the Directors may be paid a fee at such rate as may from time to time be determined by the Board. However, the aggregate of all such fees payable to the Directors (other than amounts payable under any other provision of the Articles) must not exceed £300,000 a year or such higher amount as may from time to time be decided by ordinary resolution of the Company. Any fees payable under the Articles shall be distinct from any salary, remuneration or other amounts payable to a director under any other provisions of the Articles and shall accrue from day to day.

5.5.9.2 The salary or remuneration of any Director appointed to hold any employment or executive office in accordance with the Articles may be either a fixed sum of money, or may altogether or in part be governed by business done or profits made or otherwise determined by the Board, and may be in addition to or instead of any fee payable to him or her for serving as Director under the Articles.

5.5.9.3 Each Director may be paid reasonable travelling, hotel and other expenses properly incurred by him or her in or about the performance of their duties as Director, including any expenses incurred in attending meetings of the Board or any committee of the Board or general meetings or separate meetings of the holders of any class of shares or debentures of the Company. Subject to the Act, the Directors shall have the power to make arrangements to provide a Director with funds to meet expenditure incurred or to be incurred by him or her for the purposes of the Company or for the



purpose of enabling him or her to perform his or her duties as an officer of the Company or to enable him or her to avoid incurring any such expenditure.

#### 5.5.10 Retirement of Directors

5.5.10.1 At each annual general meeting of the Company every Director shall retire from office. A retiring Director may offer himself or herself for re-appointment by the Members and a Director that is so re-appointed will be treated as continuing in office without a break.

#### 5.5.11 Borrowing powers

5.5.11.1 Subject to the Articles and the Act, the Board may exercise all the powers of the Company to borrow money, indemnify and guarantee, mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company, create and issue debentures and other securities; and give security either outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

5.5.11.2 The Board shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure (as regards the subsidiary undertakings, so far as by such exercise they can secure) that the aggregate of the amounts borrowed by the Company and remaining outstanding at any time (excluding intra-Company borrowings) shall not without the previous sanction of an ordinary resolution of the Company exceed an amount equal to four times the adjusted capital and reserves.

#### 5.5.12 Pensions, gratuities etc

5.5.12.1 The Board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits and to provide death or disability benefits or other allowances or gratuities (whether by insurance or otherwise) for any person who is or has at any time been a director or employee of the Company or any company which is a holding company or a subsidiary undertaking of or allied to or associated with the Company or any such holding company or subsidiary undertaking or any predecessor in business of the Company or of and such holding company or subsidiary undertaking, and for any member of his family (including a spouse or former spouse) and any person who is or was dependent on him.

#### 5.6 Save as disclosed in this paragraph 5 of this Part VI, the Articles do not:

- 5.6.1 contain any provision that would have the effect of delaying, deferring or preventing a change of control of the Company; or
- 5.6.2 contain any provision governing the ownership threshold above which shareholder ownership must be disclosed; or
- 5.6.3 impose any condition governing changes in the capital that is more stringent than is required by law.

### 6. The Takeover Code

- 6.1 The Takeover Code applies to the Company. Under the Takeover Code, if an acquisition of Ordinary Shares increases the aggregate holding of the acquirer and its concert parties to shares carrying 30 per cent. or more of the total voting rights in the Company, the acquirer (and, depending on the circumstances, its concert parties) would be required, except with the consent of the Panel, to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for any interests in the Ordinary Shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by an acquisition of shares by a person holding (together with its concert parties) shares carrying between 30 and 50 per cent. of the total voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the total voting rights.

- 6.2 Under the Act, if an offeror makes a takeover offer and acquires not less than 90 per cent. of the Ordinary Shares to which the offer relates (and not less than 90 per cent. of the voting rights carried by those shares) which are not already held by the offeror within four months of making the offer, it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding shareholders. The consideration offered to the shareholders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the takeover offer.
- 6.3 The Act also gives minority shareholders in the Company a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer relates to all Ordinary Shares and, at any time before the end of the period within which the offer could be accepted, the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares not already held by the offeror, any holder of shares to which the offer relates who has not accepted the offer can require the offeror to acquire his shares. The offeror would be required to give any shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a shareholder exercises its rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

## 7. Directors' interests in the Company

- 7.1 Save as disclosed in this paragraph 7, none of the Directors nor any other member of their respective families is, or following Admission will be, interested in any share capital of the Company. In this paragraph 7, family has the meaning given in the glossary to the AIM Rules.
- 7.2 Immediately prior to and immediately following Admission, the beneficial and non-beneficial interests in the Ordinary Shares of the Directors, senior managers and other members of their respective families are and will be as follows:

Shareholder	Number of Ordinary Shares immediately prior to Admission	Percentage of the issued Ordinary Share capital immediately prior to Admission	Number of the Ordinary Shares following Admission	Percentage of the issued Ordinary Share capital following Admission
Paul Young	13,117,998	47.99	10,288,187	14.70
David Brind	2,053,643	7.51	1,540,233	2.20
Michael Young	1,442,105	5.28	775,438	1.11
Chris Young	1,412,112	5.17	745,445	1.06
Paul Young Discretionary Settlement 2021	680,363	2.49	680,363	0.97
John Hope	549,492	2.01	412,119	0.59
Patricia Rice	477,507	1.75	358,131	0.51
Stephen Ryecroft	477,507	1.75	358,131	0.51
Ben Maxted	293,941	1.08	220,456	0.31
Jay MacKay	268,657	0.98	201,493	0.29
Stephen Smith	—	0.00	50,000	0.07
Gerard Murray	—	0.00	40,000	0.06

- 7.3 Save as disclosed in this paragraph 7, no Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company taken as a whole and which was effected by the Company during the current or immediately preceding period or during any earlier financial period which remains in any respect outstanding or unperformed.



- 7.4 No Director nor any member of his family (as defined in the AIM Rules) has a related financial product (as defined in the AIM Rules) whose value is determined in whole or in part by reference to the price of the Ordinary Shares.

## 8. Major Shareholders

- 8.1 Following Admission, the Company will be a public limited company incorporated in England and Wales whose shares will be listed on AIM. Pursuant to Rule 5 of the Disclosure Guidance and Transparency Rules, a shareholder is required to notify the Company of the percentage his voting rights if the percentage which he holds (directly or indirectly) reaches, exceeds or falls below 3 per cent. (and thereafter at every 1 per cent.) until it reaches 100 per cent.
- 8.2 Save as disclosed in paragraph 8.4, the Directors are not aware of any person who, directly or indirectly, jointly or severally immediately prior to Admission is interested in 3 per cent. or more of the issued ordinary share capital of the Company.
- 8.3 Save as disclosed in paragraph 8.4, the Directors are not aware of any person who, directly or indirectly, jointly or severally immediately following Admission will be interested in 3 per cent. or more of the issued ordinary share capital of the Company.
- 8.4 The following Shareholders own 3 per cent. or more of the issued ordinary share capital of the Company or will own 3 per cent. or more immediately following Admission:

Shareholder	Number of Ordinary Shares immediately prior to Admission	Percentage of the issued Ordinary Share capital immediately prior to Admission	Number of the Ordinary Shares following Admission	Percentage of the issued Ordinary Share capital following Admission
Paul Young*	13,798,361	50.48	10,968,550	15.67
Premier Miton Group plc	—	0.00	10,500,000	15.00
Liontrust Investment Partners LLP	—	0.00	8,077,673	11.54
Hargreave Hale Ltd	—	0.00	4,773,333	6.82
Harwood Capital Management LLC	—	0.00	4,266,666	6.10
Ninety One UK Limited	—	0.00	3,729,167	5.33
Chelverton Asset Management Limited	—	0.00	2,983,333	4.26
BlackRock Inc.	—	0.00	2,978,829	4.26
Columbia Threadneedle Investments	—	0.00	2,701,530	3.86
BMO Global Asset Management	—	0.00	2,160,000	3.09
David Brind	2,053,643	7.51	1,540,233	2.20
Michael Young	1,442,105	5.28	775,438	1.11
Chris Young	1,412,112	5.17	745,445	1.06

\* Paul Young has a direct pre-Admission shareholding of 13,117,998 Existing Ordinary Shares and 47.99 per cent. of the Existing Share Capital. Paul Young also has an indirect pre-Admission legal shareholding as a trustee of the Paul Young Discretionary Settlement Trust 2021, of which he is one of two trustees. He is not a beneficiary of the Trust. Immediately following Admission, Paul Young will have a direct shareholding of 10,288,187 Ordinary Shares and 14.70 per cent. of the Enlarged Share Capital and an indirect legal (but not beneficial) shareholding as a trustee of the Paul Young Discretionary Settlement Trust 2021 of 680,363 Ordinary Shares and 0.97 per cent. of the Enlarged Share Capital.

- 8.5 Persons interested, directly or indirectly, in 3 per cent. or more of the Company's issued share capital do not and will not have different voting rights from those holding less than 3 per cent.
- 8.6 Save as disclosed in this Admission Document, the Directors are not aware of any person or persons who either alone or, if connected jointly, following Admission, will directly or indirectly exercise or could exercise control over the Company, or of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.

## 9. Additional information on the Board

9.1 The names of the companies and partnerships of which the Directors have been directors or partners (in addition to directorships of the Company) in the last five years or of which they continue to be directors or partners are set out below.

Director	Current directorships and partnerships	Past directorships and partnerships
<b>Stephen John Smith</b>	Ramsdens Holdings PLC Procomm Site Services Limited Procomm Site Services (Holdings) Limited The Aquarius Origin Fund LLP	Transflex Vehicle Rental Limited John Nixon Limited
<b>Paul Victor Young</b>	F.A.M. Soft Drinks Limited H B Clark Holdings Limited Thorne Licence Wholesale Limited Churnet Valley Drinks Limited Clarks Fine Wines Limited H.B.Clark & Co.(Successors)Limited Phoenix Fine Foods Limited Kitwave Group Limited Kitwave Investments Limited MAS Frozen Foods Limited Angelbell Limited Supplytech Limited David Miller Frozen Foods Limited Squirrels UK Limited Thurston's Foods Limited Eden Farm Limited Teatime Tasties Limited TG Foods Limited Automatic Retailing (Northern) Limited Andersons (Wholesale) Limited Kitwave One Limited Westone Wholesale Limited F.W. Bishop & Son Limited Turner & Wrights Limited Kitwave Limited M.& M.Value Limited Central Supplies (Brierley Hill) Ltd Alpine Fine Foods Limited	Manfredi (Bolton) Ltd N.W.Levers Limited Hulley's(Frozen Confectionery)Limited Speediserve Limited Depot South Limited Eden Farms (Frozen Foods) Limited Carmine Limited Frozone Foods Limited Spreadout Limited
<b>David Leonard Brind</b>	F.A.M. Soft Drinks Limited H B Clark Holdings Limited Thorne Licence Wholesale Limited Churnet Valley Drinks Limited Clarks Fine Wines Limited H.B.Clark & Co.(Successors)Limited Phoenix Fine Foods Limited Kitwave Group Limited Kitwave Investments Limited MAS Frozen Foods Limited Angelbell Limited Supplytech Limited David Miller Frozen Foods Limited Turner & Wrights Limited Squirrels UK Limited Thurston's Foods Limited F.W. Bishop & Son Limited	Manfredi (Bolton) Ltd Hulley's(Frozen Confectionery)Limited N.W.Levers Limited Speediserve Limited Eden Farms (Frozen Foods) Limited Carmine Limited Frozone Foods Limited

Director	Current directorships and partnerships	Past directorships and partnerships
	Westone Wholesale Limited Eden Farm Limited TG Foods Limited Teatime Tasties Limited Automatic Retailing (Northern) Limited Kitwave One Limited Kitwave Limited M.& M.Value Limited Central Supplies (Brierley Hill) Ltd Alpine Fine Foods Limited	
<b>Gerard Thomas Murray</b>	Tharsus Group Limited Universal Wolf Limited Tharsus Direct Limited Tharsus Limited Newrona Limited	Fairstone Capital Investment Limited Zimb Johnson Bespoke Financial Planning Limited Sims Financial Planning Limited Quantum Pharma Holdings Limited Quantum Pharma Group Limited Quantum Pharma 2014 Limited Colonis Pharma Limited Quantum Pharmaceutical Limited Pern Consumer Products Limited Lamda Pharma Limited Lamda (UK) Limited Protomed Limited Quantum Specials Limited UL Medicines Limited Quantum Special Trustee Limited Healthnet Homecare (UK) Limited Wren Topco Limited Wren EBT Limited Wren Buyerco Limited Fork Rent Limited (previously named Wren RollCo Limited) Fork Rent Limited Ardent Hire Solutions Limited One Call Hire Limited One Call Tool Hire Limited One Call Hire Capital Limited Transflex Vehicle Rental Limited Colebrook & Burgess Holdings Limited Colebrook & Burgess (Wallsend) Limited J.M. Sloan & Company Limited

- 9.2. Stephen John Smith was a director of Transflex Vehicle Rental Limited and resigned on 2 August 2017. Transflex Vehicle Rental Limited was placed into administration on 16 April 2018.
- 9.3. Paul Victor Young was a director of N.W Levers Limited which was dissolved by voluntary strike-off on 7 November 2017. Speediserve Limited was dissolved by voluntary strike-off on 21 February 2017. Manfredi (Bolton) Ltd was dissolved by voluntary strike-off on 21 February 2017. Hulley's (Frozen Confectionary) Limited was dissolved by voluntary strike-off on 4 April 2017. Depot South Limited was dissolved on 6 March 2017 by creditors' voluntary winding up. Carmine Limited was dissolved by voluntary strike-off on 4 April 2017. Frozone Foods

Limited was dissolved by voluntary strike-off on 4 April 2017. Spreadout Limited was placed into administration and dissolved on 14 September 2018. Eden Farms (Frozen Foods) Limited was dissolved by voluntary strike-off on 7 March 2017.

- 9.4. David Leonard Brind was a director of Manfredi (Bolton) Ltd which was dissolved by voluntary strike-off on 21 February 2017. Hulley's (Frozen Confectionery) Limited was dissolved by voluntary strike-off on 4 April 2017. N.W Levers Limited was dissolved by voluntary strike-off on 7 November 2017. Speediserve Limited was dissolved by voluntary strike-off on 21 February 2017. Eden Farms (Frozen Foods) Limited was dissolved by voluntary strike-off on 7 March 2017. Carmine Limited was dissolved by voluntary strike-off on 4 April 2017. Frozone Foods Limited was dissolved by voluntary strike-off on 4 April 2017.
- 9.5. Gerard Thomas Murray was a director of Transflex Vehicle Rental Limited and resigned on 2 August 2017. Transflex Vehicle Rental Limited was placed into administration on 16 April 2018.
- 9.6 Except as stated above, as at the date of this Document, no Director:
- 9.6.1 has any unspent conviction in relation to any indictable offence;
- 9.6.2 is bankrupt or has had any bankruptcy order served upon him or entered into any individual voluntary arrangement;
- 9.6.3 has been a director of any company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation, administration, been subject to a company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors while he was a director of that company or within the 12 months after he ceased to be a director;
- 9.6.4 has been a partner in any partnership which has been placed in compulsory liquidation or administration or been the subject of a partnership voluntary arrangement or where the assets of any such partnership have been subject of a receivership while he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- 9.6.5 has been the owner of any asset or been a partner in any partnership which owned any asset which while he owned that asset, or while he was a partner or within the 12 months after he ceased to be a partner in the partnership which owned the asset, which has been the subject of a receivership; or
- 9.6.6 has had any public criticism against him by any statutory or regulatory authority (including recognised professional bodies) or has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

## **10. Directors' remuneration**

- 10.1 On the basis of the arrangements set out in paragraph 10.2, it is estimated that the aggregate remuneration payable, including pension contributions, to the Directors for the financial year ending 31 October 2021 (being the current financial year of the Company) will be approximately £720,000.
- 10.2 The following is a summary of the Directors' and key employees service agreements and/or letters of appointment:
- 10.2.1 Paul Victor Young entered into a new service agreement with the Company on 4 May 2021, under the terms of which he is appointed as Chief Executive Officer for a salary of £349,468. Paul Young's employment with the Company commenced in 1987. The Company may at its absolute discretion pay Mr Young a bonus of such amount and subject to such conditions the Company may determine. Paul Young is entitled to a pension contribution from the Company of £7,577 per annum to an occupational pension scheme and is entitled to private medical insurance and life assurance cover. Unless approved by the Board, or as provided in the Articles, Paul Young shall not resign as a Director of the Company. The service agreement may be terminated by either party on 12 months' prior written notice. The service agreement contains provisions for early termination, without notice, in certain circumstances

including if Mr Young is disqualified or ceases to act as a Director (without consent) or commits any serious breach of any provisions of the service agreement. Paul Young is subject to restrictive covenants for 12 months from termination of the service agreement and an obligation requiring him to disclose to the Company any intellectual property rights developed during his employment and to assign any such rights to the Company.

- 10.2.2 David Leonard Brind entered into a new service agreement with the Company on 4 May 2021, under the terms of which he is appointed as Chief Financial Officer for a salary of £230,000. David Brind's employment with the Company commenced in August 2011. The Company may at its absolute discretion pay Mr Brind a bonus of such amount and subject to such conditions the Company may determine. David Brind is entitled to a pension contribution from the Company of £5,646 per annum to an occupational pension scheme and £700 per month to a personal pension scheme and is entitled to private medical insurance and life assurance cover and a car allowance of £10,200 per annum. Unless approved by the board, or as provided in the Articles, David Brind shall not resign as a Director of the Company. The service agreement may be terminated by either party on 12 months' prior written notice. The service agreement contains provisions for early termination, without notice, in certain circumstances including if Mr Brind is disqualified or ceases to act as a Director (without consent) or commits any serious breach of any provisions of the service agreement. David Brind is subject to restrictive covenants for 12 months from termination of the service agreement and an obligation requiring him to disclose to the Company any intellectual property rights developed during his employment and to assign any such rights to the Company.
- 10.2.3 On 4 May 2021 Steve Smith entered into a letter of appointment with the Company, under the terms of which his appointment as the independent non-executive chairman of the Company were confirmed. The appointment and terms of the letter of appointment are conditional on Admission. Subject to the Articles, the appointment is for a term of three years unless terminated earlier by either party giving not less than one month's written notice to the other. The basic annual fee payable to Steve Smith is £60,000, payable monthly in arrears and he is entitled to be reimbursed for expenses properly incurred by him in the performance of his duties. There is no right to any further benefits. The appointment provides that the Company may terminate Steve Smith's appointment, with immediate effect, if he is in material breach of the terms of the appointment. The letter of appointment contains restrictions for a periods of six months after termination of his appointment.
- 10.2.4 On 4 May 2021, Gerard Thomas Murray entered into a letter of appointment with the Company, under the terms of which he was appointed as an independent non-executive director of the Company. The appointment and terms of the letter of appointment are conditional on Admission. Subject to the Articles, the appointment is for an initial term of three years unless terminated earlier by either party giving not less than one month's written notice to the other. The basic annual fee payable to Gerard Murray is £40,000, payable monthly in arrears and he is entitled to be reimbursed for expenses properly incurred by him in the performance of his duties. There is no right to any further benefits. The appointment provides that the Company may terminate Gerard Murray's appointment, with immediate effect, if he is in material breach of the terms of the appointment. The letter of appointment contains restrictions for a period of six months after termination of his appointment.

## **11. Employees**

- 11.1 As at the Last Practicable Date, the Company employed approximately 1,100 employees across the Group. All of the employees, aside from the executive Directors, are employed on a standard employment contract.

## 12. Litigation

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

## 13. Material Contracts

Set out below is a summary of each material contract entered into by the Company, either (i) within the two years immediately preceding the date of this Document or (ii) which contains any provision under which the Company has any obligation or entitlement which is material to the Company as at the date of this Document, in each case other than those entered into in the ordinary course of business:

### 13.1 Placing Agreement

- 13.1.1 On 6 May, the Company, the Directors, the Selling Shareholders, Steve Smith and Canaccord Genuity entered into the Placing Agreement. Pursuant to the Placing Agreement and conditional, *inter alia*, on Admission, Canaccord Genuity shall use its reasonable endeavours to procure subscribers for the Placing Shares and as agent for each of the Selling Shareholders to procure purchasers for the Secondary Placing Shares, in each case at the Placing Price. The Placing Shares will represent 61.0 per cent. of the Enlarged Ordinary Share Capital following Admission and the Secondary Placing Shares will represent 16.8 per cent. of the Enlarged Ordinary Share Capital following Admission. The Placing will raise gross proceeds of approximately £64.0 million for the Company (before commissions and expenses).
- 13.1.2 The Placing is conditional, *inter alia*, upon:
  - 13.1.2.1 the Placing Agreement becoming unconditional and not having been terminated prior to Admission;
  - 13.1.2.2 the Placing Shares having been unconditionally allotted and issued; and
  - 13.1.2.3 Admission becoming effective on or before 24 May 2021 or such later date as the Company and Canaccord Genuity agree being not later than 14 June.
- 13.1.3 The Placing Agreement has not been underwritten. The Company will pay to Canaccord Genuity a corporate finance fee and, subject to Admission, a commission based on the aggregate value of the Placing Shares and the Secondary Placing Shares, in each case, at the Placing Price.
- 13.1.4 The Placing Agreement contains certain customary warranties, undertakings and indemnities given by the Company and certain warranties and undertakings from the Company and the Directors in favour of Canaccord Genuity. Canaccord Genuity may terminate the Placing Agreement in specified circumstances prior to Admission, including in the event of a breach of the warranties contained in the Placing Agreement. The liability of the Directors (as defined within the Placing Agreement) is limited in certain customary respects.
- 13.1.5 It is intended that the allotment of the Placing Shares and the transfer of the Secondary Placing Shares will take place on 24 May 2021, such allotment and transfer being conditional on Admission. Prospective investors should be aware that Admission might not take place.
- 13.1.6 The Directors have agreed that they will not dispose of any Ordinary Shares held by them or their related parties (as such term is defined in the AIM Rules) on Admission for (i) a period of 12 months from Admission, save in specified and customary circumstances (**Director Initial Lock-in Period**) and (ii) following expiry of the Director Initial Lock-in Period, for a further 12 month period save in specified and customary circumstances or otherwise with Canaccord Genuity' prior consent. Furthermore, any transfer of Ordinary Shares by Directors or their related parties



during the 24 month period following Admission must be made via Canaccord Genuity and in such manner as Canaccord Genuity may determine so as to maintain an orderly market in the Ordinary Shares.

- 13.2 On 6 May 2021, the Company granted to Canaccord Genuity, pursuant to the Warrant Instrument, the right (conditional on Admission) to subscribe for Ordinary Shares at a price of 150 pence per Ordinary Share up to an aggregate nominal value of £3,333.33. This right is exercisable by Canaccord Genuity at any time prior to the fifth anniversary of the date of Admission.
- 13.3 On 6 May 2021, the Company, the Directors and Canaccord Genuity entered into a nominated adviser and broker agreement pursuant to which the Company has appointed Canaccord Genuity to act as nominated adviser and broker to the Company for the purposes of the AIM Rules. The Company has agreed to pay Canaccord Genuity an annual fee of £75,000 (exclusive of VAT and disbursements) for its services as nominated adviser and broker under this agreement. The agreement contains certain undertakings and indemnities given by the Company and the Directors. The agreement is terminable on three months' notice (or without notice in certain circumstances).

#### **13.4 Acquisition agreements**

Eden Farm Limited, an indirect subsidiary of the Company, entered into an acquisition agreement on 5 August 2019 for the acquisition of 75% of the issued share capital of issued share capital of Central Supplies (Brierley Hill) Ltd, a supplier of food and drink. The agreement contained customary warranties and indemnities from the sellers. The remaining 25% of the issued share capital was retained by the existing shareholders, subject to a put and call option, which will become exercisable by the existing shareholders and Eden Farm Limited following Admission.

David Miller Frozen Foods Limited, an indirect subsidiary of the Company, entered into an acquisition agreement on 29 October 2019, for the acquisition of the entire issued share capital of Alpine Fine Foods Limited, a supplier of ambient and frozen food and other products. The agreement contained customary warranties and indemnities from the sellers.

#### **13.5 Registrar Agreement**

Under the agreed terms, the Company expects to enter into a registrar agreement with the Registrar in May 2021.

Under the terms of the Registrar Agreement, the Registrar is entitled to an annual registration fee of £3,500 per annum, (which will increase annually at the prevailing rate of the Retail Prices Index). The Registrar is also entitled to fees for certain additional activities under the Registrar Agreement. The fees are subject to increases to reflect the change in costs of the Registrar of providing its services. The Registrar Agreement shall take effect for an initial period of three years and may be terminated by either party having given six months' prior notice to terminate the Registrar Agreement at the end of the initial period or it shall automatically renew for successive periods of 12 months, unless terminated by either the Company or the Registrar on six months' notice, such notice not to expire prior to the end of the twelve month period in which the notice is given.

The Registrar's liability in relation to an event under the Registrar Agreement is limited (with certain exceptions) to the lesser of £500,000 or an amount equal to five times the annual fees payable under the Registrar Agreement.

#### **13.6 Coronavirus Large Business Interruption Loan**

In September 2020, the Company as parent, Kitwave Investments Limited as borrower and certain Group companies as guarantors entered into a facility agreement with its banks for a facility of £6,000,000 under the Coronavirus Large Business Interruption Loan Scheme introduced by the UK Government. The Company exercised draw down of the facility in an amount of £5,500,000 in March 2021 and the availability period for drawdown has closed. The Group intends to repay this amount on or shortly after Admission and the facility will be cancelled. The obligations of Kitwave Investments Limited in connection with the facility are guaranteed in part by the UK Government. A composite debenture dated 30 September 2020 entered into by the Company and certain Group companies as guarantors was granted in favour of Barclays (as security agent) creating fixed and



floating charges over all of the Company's (and each guarantor's) present and future undertakings and assets.

#### **14. Working capital**

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

#### **15. No significant change**

Other than as disclosed in this Admission Document, there has been no significant change in the trading or financial position of the Company since 31 October 2020, being the date to which the historical financial information set out in Part III of this Admission Document was prepared.

#### **16. Taxation**

##### **16.1 UK Taxation**

- 16.1.1 The following statements are intended only as a general guide to current UK tax legislation, and to the published current practice of HMRC, as at the date of this Admission Document, both of which are subject to change, possibly with retrospective effect.
- 16.1.2 The following statements may not apply to certain classes of Shareholders, such as dealers in securities, insurance companies and collective investment schemes or Shareholders who have (or are deemed to have) acquired their Ordinary Shares by virtue of an office or employment. They relate only to persons who are the absolute beneficial owners of Ordinary Shares, who are resident and (if individuals) domiciled solely in the UK for tax purposes (except where stated otherwise) and who hold Ordinary Shares as investments (other than through an individual savings account). The tax position of any UK resident tax exempt entity is not dealt with below and specific advice should be sought.
- 16.1.3 This summary relates only to certain limited aspects of the taxation treatment of owners of Ordinary Shares and should not be relied upon as constituting tax or legal advice. Any person who is in any doubt as to his tax position, or who is subject to tax in any jurisdiction other than the UK, should consult an appropriate professional adviser.

##### **16.2 Tax on chargeable gains**

###### ***UK resident individual shareholders***

- 16.2.1 A disposal or deemed disposal of Ordinary Shares by any Shareholder who is (at any time in the relevant UK tax year) resident in the UK may give rise to a chargeable gain or allowable loss for the purposes of UK taxation of chargeable gains (subject to any available exemptions or reliefs). Special rules may apply to tax gains on disposals made by individuals at a time when they are temporarily not resident in the UK.
- 16.2.2 Any chargeable gain (or allowable loss) will generally be calculated by reference to the consideration received for the disposal of the Ordinary Shares less the allowable cost to the Shareholder of acquiring such Ordinary Shares.
- 16.2.3 For an individual Shareholder subject to UK tax, the principal factors that will determine the extent to which a gain will be subject to UK capital gains are the extent to which he realises any other capital gains in the tax year of assessment in which the gain arises, the extent to which he has incurred capital losses in that or any earlier tax year of assessment, the level of annual allowance of tax-free gains in the tax year of assessment in which the disposal takes place (**annual exemption**) (which is £12,300 for the 2021/22 tax year) and the applicable rate of capital gains

tax. Capital gains tax is currently charged at 10 per cent. for basic rate taxpayers and 20 per cent. for higher and additional rate taxpayers (2021/2022), subject to available tax reliefs. Indexation allowance is not available for individuals.

#### ***UK resident corporate shareholders***

16.2.4 For a shareholder within the charge to UK corporation tax, a deemed disposal of Ordinary Shares may give rise to a chargeable gain at the relevant rate of corporation tax that would apply to the shareholder, (19 per cent. from 1 April 2020) or an allowable loss for the purposes of UK corporation tax.

#### ***Non UK resident shareholders***

16.2.5 An individual shareholder who, for a period of less than five or six years (as applicable), either has ceased to be resident in the UK for UK tax purposes or has become resident in a territory outside the UK for the purposes of double taxation relief arrangements and who disposes of Ordinary Shares acquired whilst UK resident, during that period may also be liable on his or her return to the UK for UK capital gains tax despite the fact that the individual may not have been resident in the UK for UK tax purposes at the time of the disposal.

### **16.3 Dividend withholding tax**

Under current UK tax legislation, no amounts in respect of UK tax will be withheld at source from dividend payments made by the Company.

### **16.4 Tax on dividends**

#### ***UK resident individual shareholders***

16.4.1 From 6 April 2019, individual shareholders benefit from a nil rate of tax for the first £2,000 of dividend income received. Any dividend income received in excess of this amount is taxed at the following rates (2021/2022): 7.5 per cent. (to the extent that it falls below the threshold for higher rate income tax); 32.5 per cent. (to the extent that it falls above the threshold for higher rate income tax) and 38.1 per cent. (to the extent that it is within the additional rate).

16.4.2 For the purposes of determining which of the taxable bands dividend income falls into, dividend income is treated as the highest part of a Shareholder's income. In addition, dividends within the nil rate amount which would (if there was no nil rate amount) have fallen within the basic or higher rate bands will use up those bands respectively for the purpose of determining whether the threshold for higher rate or additional rate income tax is exceeded.

#### ***UK resident corporate shareholders***

16.4.3 UK resident corporate shareholders are liable for UK corporation tax. Dividends received on Ordinary Shares by a shareholder which is subject to UK corporation tax will generally be exempt from UK corporation tax, subject to specific conditions and anti-avoidance rules.

16.4.4 If the conditions for exemption are not met, the shareholder will be subject to UK corporation tax on dividends received from the Company at the relevant rate of corporation tax that would apply to the shareholder, (currently 19 per cent. from 1 April 2020).

#### ***Non UK resident shareholders***

16.4.5 Non-UK resident individual shareholders who receive a dividend from the Company are treated as having paid UK income tax on their dividend income at the dividend ordinary rates (7.5 per cent.). Such income tax will not be repayable to a non-UK resident individual shareholder. A non-UK individual shareholder may also be subject to taxation on dividend income under local law in their country or jurisdiction of residence.

## **16.5 Inheritance tax**

- 16.5.1 As the Ordinary Share will be assets in the UK for the purposes of UK inheritance tax, a gift of such assets during a lifetime or on the death of an individual shareholder may give rise to UK inheritance tax liability (subject to any available exemptions or reliefs). This applies even where the holder is not deemed to be domiciled in the UK.
- 16.5.2 Generally, if the transfer is made over seven years before the death of the donor, there will be no liability for UK inheritance tax. A transfer of assets for less than full market value is generally classed as a gift. Liability for UK inheritance tax may also apply where shares are transferred to a trust during an individual's lifetime or on death. Shareholders should consult an appropriate adviser before they make any gift of shares, transfer shares at less than market value or if they intend to hold shares through a trust or similar arrangement.

## **16.6 UK stamp duty and stamp duty reserve tax (SDRT)**

- 16.6.1 The statements below are intended as a general guide to the current position. They do not apply to certain intermediaries who are not liable to stamp duty or SDRT or (except where stated otherwise) to persons connected with depositary arrangements or clearance services who may be liable at a higher rate.

### ***Ordinary Shares held in certificated form***

- 16.6.2 No stamp duty or SDRT should be payable on the issue of Ordinary Shares or the transfer to Placees of the Sale Shares.
- 16.6.3 Subject to the following, in respect of a subsequent transfer of shares, stamp duty at the rate of 0.5 per cent. of the amount or value of the consideration given (rounded up to the next multiple of £5) is generally payable on an instrument transferring Ordinary Shares.
- 16.6.4 There is an exemption from stamp duty which applies to investments relating to stock or marketable securities which are admitted to trading on a "recognised growth market" but not listed on any other market. A "recognised growth market" is a market which meets certain criteria and which has been recognised as such by HMRC. AIM has been recognised as a recognised growth market in this way. Accordingly, transfers of Ordinary Shares should not give rise to a charge to stamp duty or SDRT so long as the Ordinary Shares are admitted to trading on AIM, AIM remains a recognised growth market and the Ordinary Shares are not listed on any other market.
- 16.6.5 An exemption from stamp duty is also available on an instrument transferring Ordinary Shares where the amount or value of the consideration is £1,000 or less and it is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions in respect of which the aggregate amount or value of the consideration exceeds £1,000.
- 16.6.6 Interest on unpaid stamp duty will accrue from 30 days after the date the instrument was executed.

### ***Ordinary Shares held in uncertificated form***

- 16.6.7 The transfer of Ordinary Shares in non-certificated form via CREST should not give rise to a charge to stamp duty or SDRT so long as the Ordinary Shares are admitted to trading on AIM, AIM remains a recognised growth market and the Ordinary Shares are not listed on any other market.

## **17. Related Party Transactions**

Save as already set out in this Document, there are no current transactions which, as a single transaction or in the entirety, are transactions with related parties and which are or may be material (within the meaning of the AIM Rules for Companies) to the Company.

## **18. Consents**

18.1 KPMG LLP has given and not withdrawn its consent to the inclusion herein of its report set out in Part III of this Document in the form and context in which it is included. KPMG LLP is a limited liability partnership registered in England and Wales with number OC301540 and with its registered office at 15 Canada Square, London, E14 5GL. KPMG LLP is a member of, and is regulated by, the Institute of Chartered Accountants in England and Wales. KPMG LLP is the auditor of the Company and was the auditor of the Company for the financial periods ended 30 April 2018, 30 April 2019 and 31 October 2020.

18.2 Canaccord Genuity has given and not withdrawn its consent to the issue of this Document with the inclusion herein of reference to its name in the form and context in which it appears.

## **19. General**

19.1 The gross proceeds of the Placing receivable by the Company is expected to be approximately £64.0 million. The total costs and expenses relating to Admission and the Placing payable by the Company are estimated to amount to approximately £3.3 million (excluding VAT to the extent applicable).

19.2 The gross proceeds of the conditional placing of the Secondary Placing Shares, which is payable to the Selling Shareholders, is expected to be approximately £17.6 million. The total costs and expenses relating to the conditional placing Secondary Placing Shares payable by the Selling Shareholders are estimated to amount to approximately £0.5 million.

19.3 Other than the current application for Admission, the Ordinary Shares have not been admitted to dealing on any recognised investment exchange nor has any application for such admission been made nor are there intended to be any other arrangements for dealings in Ordinary Shares.

19.4 Save as set out in this Document, the Company has no principal investments for the period covered by the historic financial information; has no investments in progress which are significant, and no principal future investments in relation to which the Company has made a firm financial commitment.

19.5 The Company's financial period now ends on 31 October annually, with the latest set of audited historical financial statements for the Company being made up to 31 October 2020.

19.6 The ISIN for the Ordinary Shares is GB00BNYKB709.

19.7 No person (other than the professional advisers referred to in this Document and trade suppliers) has received, directly or indirectly, from the Company within the 12 months preceding the application for admission to AIM, or entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission, fees totalling £10,000 or more or securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price or any other benefit with a value of £10,000 or more at the date of Admission.

19.8 Save as disclosed in this Document:

19.8.1 there are no environmental issues that may affect the Company's utilisation of its tangible fixed assets;

19.8.2 there are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the financial position of the Company for the current financial year;

19.8.3 the Company is not dependent on any patents or licences, industrial, commercial or financial contracts or new manufacturing processes which are of material importance to its business or profitability; and

- 19.8.4 there are no exceptional factors that have influenced the Company's activities and there have been no interruptions in the business of the Company.
- 19.9 Where information in this Document has been sourced from a third party, the Company confirms that it has been accurately reproduced and, as far as the Company is aware and is able to ascertain from the information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 19.10 Save as disclosed in this Document, the Company does not hold a proportion of the capital of any undertaking likely to have a significant effect on the assessment of the Company's assets and liabilities, financial position or profits and losses.

## 20. Selling Shareholders

The names and business addresses of each of the Selling Shareholders are set out below:

Name	Business Address	Relationship with the Company in previous three years	Number of Secondary Placing Shares to be sold in the Placing	Number of Ordinary Shares held immediately following Admission and the Placing
The Prudential Insurance Company of America	c/o Pricoa Private Capital, Two Prudential Plaza, 180 N.Stetson Avenue, Suite 5600, Chicago IL 60601	Shareholder	3,526,546	–
Prudential Legacy Insurance Company of New Jersey	c/o Pricoa Private Capital, Two Prudential Plaza, 180 N.Stetson Avenue, Suite 5600, Chicago IL 60601	Shareholder	460,840	–
Allstate Insurance Company	3075 Sanders Road, Suite G5, Northbrook, IL 60062	Shareholder	1,671,980	–
Allstate Life Insurance Company	3075 Sanders Road, Suite G5, Northbrook, IL 60062	Shareholder	772,166	–
Allstate Life Insurance Company of New York	3075 Sanders Road, Suite G5, Northbrook, IL 60062	Shareholder	128,466	–
Paul Young	c/o Unit S3 Narvik Way, Tyne Tunnel Trading Estate, North Shields, Tyne and Wear, NE29 7XJ	Director and Shareholder	2,829,811	10,288,187
David Brind	c/o Unit S3 Narvik Way, Tyne Tunnel Trading Estate, North Shields, Tyne and Wear, NE29 7XJ	Director and Shareholder	513,410	1,540,233
Chris Young	c/o Unit S3 Narvik Way, Tyne Tunnel Trading Estate, North Shields, Tyne and Wear, NE29 7XJ	Employee and shareholder	666,667	745,445
Michael Young	c/o Unit S3 Narvik Way, Tyne Tunnel Trading Estate, North Shields, Tyne and Wear, NE29 7XJ	Employee and shareholder	666,667	775,438
John Hope	c/o Unit S3 Narvik Way, Tyne Tunnel Trading Estate, North Shields, Tyne and Wear, NE29 7XJ	Employee and shareholder	137,373	412,119
Patricia Rice	c/o Unit S3 Narvik Way, Tyne Tunnel Trading Estate, North Shields, Tyne and Wear, NE29 7XJ	Secretary and shareholder	119,376	358,131
Stephen Ryecroft	c/o Unit S3 Narvik Way, Tyne Tunnel Trading Estate, North Shields, Tyne and Wear, NE29 7XJ	Employee and shareholder	119,376	358,131
Ben Maxted	c/o Unit S3 Narvik Way, Tyne Tunnel Trading Estate, North Shields, Tyne and Wear, NE29 7XJ	Employee and shareholder	73,485	220,456
Jay Mackay	c/o Unit S3 Narvik Way, Tyne Tunnel Trading Estate, North Shields, Tyne and Wear, NE29 7XJ	Employee and shareholder	67,164	201,493

## **21. Availability of this Document**

Copies of this Document will be available free of charge to the public at the registered office of the Company during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of one month from Admission and at the Company's website [www.kitwave.co.uk](http://www.kitwave.co.uk).

The date of this Document is 7 May 2021.



## PART VII

### TERMS AND CONDITIONS OF THE PLACING

MEMBERS OF THE PUBLIC ARE NOT ELIGIBLE TO TAKE PART IN THE PLACING. THESE TERMS AND CONDITIONS ARE FOR INFORMATION PURPOSES ONLY AND ARE DIRECTED ONLY AT: (A) PERSONS IN THE UNITED KINGDOM OR MEMBER STATES OF THE EUROPEAN ECONOMIC AREA (EACH A “RELEVANT STATE”) WHO ARE QUALIFIED INVESTORS AS DEFINED IN ARTICLE 2(E) OF THE EU PROSPECTUS REGULATION (WHICH MEANS REGULATION (EU) 2017/1129 (THE “EU PROSPECTUS REGULATION”) OR, IN RELATION TO PERSONS IN THE UNITED KINGDOM ONLY, THE EU PROSPECTUS REGULATION AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018 (THE “UK PROSPECTUS REGULATION” AND, TOGETHER WITH THE EU PROSPECTUS REGULATION, THE “PROSPECTUS REGULATION”); (B) IN THE UNITED KINGDOM, QUALIFIED INVESTORS WHO ARE PERSONS WHO (I) FALL WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE “ORDER”); (II) FALL WITHIN ARTICLE 49(2)(A) TO (D) (HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS, ETC.) OF THE ORDER; OR (III) ARE PERSONS TO WHOM IT MAY OTHERWISE BE LAWFULLY COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS “RELEVANT PERSONS”). THESE TERMS AND CONDITIONS MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THESE TERMS AND CONDITIONS RELATE IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. PERSONS INTO WHOSE POSSESSION THESE TERMS AND CONDITIONS COMES ARE REQUIRED BY THE COMPANY AND CANACCORD GENUITY TO INFORM THEMSELVES AND TO OBSERVE ANY SUCH RESTRICTIONS.

#### 1. Introduction

These terms and conditions (“**Terms and Conditions**”) apply to persons making an offer to acquire Placing Shares under the Placing. References in this Part VII to “Placing Shares” shall be deemed to include Secondary Placing Shares.

Each person to whom these Terms and Conditions apply, as described above, who confirms its agreement to Canaccord Genuity and the Company to acquire Placing Shares (which may include Canaccord Genuity or its nominee(s)) (each a “**Placee**”) hereby agrees with Canaccord Genuity and the Company to be bound by these Terms and Conditions as being the terms and conditions upon which the Placing Shares will be issued and sold under the Placing. A Placee shall, without limitation, become so bound if Canaccord Genuity confirms to the Placee (i) the Placing Price and (ii) its allocation of Placing Shares.

The Company and/or Canaccord Genuity may require any Placee to agree to such further terms and/or conditions and/or give such additional warranties and/or representations as it (in its absolute discretion) considers necessary and/or may require any such Placee to execute a separate investor letter (an “**Investor Letter**”).

#### 2. Agreement to acquire Placing Shares

Conditional upon: (i) Admission occurring and becoming effective by no later than 8.00 a.m. on 24 May 2021 (or such other date and/or time as Canaccord Genuity may notify to the Company but, in any event, no later than 8.00 a.m. on 14 June 2021); (ii) the Placing Agreement becoming otherwise unconditional in all respects and not having been terminated in accordance with its terms; and (iii) Canaccord Genuity confirming to the Placees their allocation of Placing Shares, each Placee agrees to become a member of the Company and agrees to acquire at the Placing Price those Placing Shares allocated to it by Canaccord Genuity. To the fullest extent permitted by law, each Placee acknowledges and agrees that it will not be entitled to exercise any remedy of rescission at any time. This does not affect any other rights the Placee may have.

### **3. Payment for Placing Shares**

Each Placee undertakes to pay the Placing Price for the Placing Shares acquired by such Placee in the manner and by the time directed by Canaccord Genuity.

Each Placee is deemed to agree that, if it fails to pay the Placing Price for the Placing Shares acquired by such Placee, Canaccord Genuity may sell any or all of the Placing Shares allocated to that Placee and which have not been paid for on such Placee's behalf and retain from the proceeds, for Canaccord Genuity's account and benefit (as agent for the Company and the Selling Shareholders (as the case may be)), an amount equal to the aggregate amount owed by the Placee plus any interest due. Any excess proceeds will be paid to the relevant Placee at its risk. The relevant Placee will, however, remain liable and shall indemnify Canaccord Genuity, the Company and the Selling Shareholders on demand for any shortfall below the aggregate amount owed by it. By agreeing to acquire Placing Shares, each Placee confers on Canaccord Genuity all such authorities and powers necessary to carry out any such sale and agrees to ratify and confirm all actions which Canaccord Genuity lawfully takes in pursuance of such sale.

### **4. Representations and warranties**

By agreeing to acquire Placing Shares under the Placing, each Placee which enters into a commitment to acquire Placing Shares will (for itself and any person(s) procured by it to acquire Placing Shares and any nominee(s) for any such person(s)) be deemed to agree, represent and warrant to each of the Company, the Selling Shareholders, the Registrars and Canaccord Genuity that:

- 4.1 it has read this Document in its entirety and it is relying solely on this Document (and any supplementary admission document published by the Company subsequent to the date of this Document) and not on any other information given, or representation or statement made at any time, by any person concerning the Group or the Placing. It acknowledges that its participation in the Placing shall be made solely on the terms and conditions set out in these Terms and Conditions, the Placing Agreement and the Articles. It agrees that these Terms and Conditions and the contract note issued by Canaccord Genuity to such Placee represent the whole and only agreement between the Placee, Canaccord Genuity, the Selling Shareholders and the Company in relation to the Placee's participation in the Placing and supersedes any previous agreement between any such parties in relation to such participation. It agrees that none of the Company, the Selling Shareholders, Canaccord Genuity or the Registrars, nor any of their respective directors, officers, partners, agents, consultants, advisers, affiliates, representatives or employees (each an "affiliate"), will have any liability for any other information or representation. It irrevocably and unconditionally waives any rights it may have in respect of any other information or representation. This paragraph 4.1 shall not exclude any liability for fraudulent misrepresentation;
- 4.2 it has the funds available to pay the Placing Price in respect of the Placing Shares for which it has given a commitment under the Placing;
- 4.3 the contents of this Document (and any supplementary admission document published by the Company subsequent to the date of this Document) are exclusively the responsibility of the Company and its Directors and apart from the responsibilities and liabilities, if any, which may be imposed on Canaccord Genuity by the FSMA or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction where the exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, neither Canaccord Genuity nor any person acting on its behalf nor any of their respective affiliates accept any responsibility whatsoever for and makes no representation or warranty, express or implied, as to the contents of this Document (or any supplementary admission document published by the Company subsequent to the date of this Document) or for any other statement made or purported to be made by it, or on its behalf, in connection with the Group, the Placing Shares or the Placing and nothing in this Document (and any supplementary admission document published by the Company subsequent to the date of this Document) will be relied upon as a promise or representation in this respect, whether or not to the past or future. Canaccord Genuity accordingly disclaims all and any responsibility or liability, whether arising in tort, contract or otherwise (save as referred to above), which it

might otherwise have in respect of this Document (or any supplementary admission document published by the Company subsequent to the date of this Document) or any such statement;

- 4.4 if the laws of any territory or jurisdiction outside the United Kingdom are applicable to its agreement to acquire Placing Shares under the Placing, it has complied with all such laws, obtained all governmental and other consents which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with its offer commitment in any territory and that it has not taken any action or omitted to take any action which will result in the Company, the Selling Shareholders, Canaccord Genuity, the Registrars or any of their respective affiliates acting in breach of the regulatory or legal requirements, directly or indirectly, of any territory or jurisdiction outside the United Kingdom in connection with the Placing;
- 4.5 it does not have a registered address in and is not a citizen, resident or national of, any jurisdiction in which it is unlawful to make or accept an offer of the Placing Shares and it is not acting on a nondiscretionary basis for any such person;
- 4.6 it agrees that, having had the opportunity to read this Document, it shall be deemed to have had notice of all information and representations contained in this Document, that it is acquiring Placing Shares solely on the basis of this Document (and any supplementary admission document published by the Company subsequent to the date of this Document) and no other information and that in accepting a participation in the Placing it has had access to all information it believes necessary or appropriate in connection with its decision to acquire Placing Shares;
- 4.7 it acknowledges that no person is authorised in connection with the Placing to give any information or make any representation other than as contained in this Document (and any supplementary admission Document published by the Company subsequent to the date of this Document) and, if given or made, any information or representation must not be relied upon as having been authorised by Canaccord Genuity, or the Company or the Selling Shareholders;
- 4.8 it accepts that none of the Placing Shares have been or will be registered under the laws of any Restricted Jurisdiction. Accordingly, the Placing Shares may not be offered, sold, issued or delivered, directly or indirectly, within any Restricted Jurisdiction unless an exemption from any registration requirement is available;
- 4.9 if it is receiving the details of the Placing in circumstances under which the laws or regulations of a jurisdiction other than the United Kingdom would apply, that it is a person to whom the Placing Shares may be lawfully offered under that other jurisdiction's laws and regulations;
- 4.10 it is a Relevant Person and undertakes that it will acquire, hold, manage or dispose of any Placing Shares that are allocated to it for the purposes of its business;
- 4.11 if it is outside the United Kingdom, neither this Document nor any other offering, marketing or other material in connection with the Placing constitutes an invitation, offer or promotion to, or arrangement with, it or any person whom it is procuring to acquire Placing Shares pursuant to the Placing unless, in the relevant territory, such offer, invitation or other course of conduct could lawfully be made to it or such person and such documents or materials could lawfully be provided to it or such person and Placing Shares could lawfully be distributed to and acquired by and held by it or such person without compliance with any unfulfilled approval, registration or other regulatory or legal requirements;
- 4.12 it acknowledges that neither Canaccord Genuity nor any of its affiliates nor any person acting on its behalf is making any recommendations to it, advising it regarding the suitability of any transactions it may enter into in connection with the Placing or providing any advice in relation to the Placing and that participation in the Placing is on the basis that it is not and will not be a client of Canaccord Genuity or any of its affiliates, that Canaccord Genuity is acting for the Company and no-one else and that none of Canaccord Genuity nor any of its affiliates have any duties or responsibilities to it for providing protections afforded to its or

their respective clients or for providing advice in relation to the Placing nor in respect of any representations, warranties, undertaking or indemnities contained in these Terms and Conditions or in any Investor Letter, where relevant;

- 4.13 it acknowledges that it is not located within the United States, it is acquiring Placing Shares in an “offshore transaction” as defined in Regulation S promulgated under the US Securities Act (“**Regulation S**”) and where it is acquiring Placing Shares for one or more managed, discretionary or advisory accounts, it is authorised in writing for each such account: (i) to acquire the Placing Shares for each such account; (ii) to make on each such account’s behalf the representations, warranties and agreements set out in this Document or in any Investor Letter, where relevant; and (iii) to receive on behalf of each such account any documentation relating to the Placing in the form provided by the Company and/or Canaccord Genuity. It agrees that the provisions of this paragraph shall survive any resale of the Placing Shares by or on behalf of any such account;
- 4.14 it is acting as principal only in respect of the Placing, or, if it is acting for any other person (i) it is and will remain liable to the Company and/or Canaccord Genuity and/or the Selling Shareholders for the performance of all its obligations as a Placee in respect of the Placing (regardless of the fact that it is acting for another person) (ii) it is both an “authorised person” for the purposes of the FSMA and a Qualified Investor acting as agent for such person and (iii) such person is either (1) a Qualified Investor or (2) its “client” (as defined in section 86(2) of the FSMA) that has engaged it to act as his agent on terms which enable it to make decisions concerning the Placing or any other offers of transferable securities on his behalf without reference to him;
- 4.15 it confirms that any of its clients, whether or not identified to Canaccord Genuity or any of its affiliates, will remain its sole responsibility and will not become clients of Canaccord Genuity or any of its affiliates for the purposes of the rules of the FCA or for the purposes of any other statutory or regulatory provision;
- 4.16 where it or any person acting on its behalf is dealing with Canaccord Genuity, any money held in an account with Canaccord Genuity on its behalf and/or any person acting on its behalf will not be treated as client money within the meaning of the relevant rules and regulations of the FCA which therefore will not require Canaccord Genuity to segregate such money as that money will be held by Canaccord Genuity under a banking relationship and not as trustee;
- 4.17 it has not and will not offer or sell any Placing Shares to persons in the United Kingdom, except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business or otherwise in circumstances which have not resulted and which will not result in an offer to the public in the United Kingdom within the meaning of section 102B of the FSMA;
- 4.18 it is an “eligible counterparty” or a “professional investor” within the meaning of Chapter 3 of the FCA’s Conduct of Business Sourcebook and it is subscribing for or purchasing the Placing Shares for investment only and not for resale or distribution;
- 4.19 it irrevocably appoints any Director and any director of Canaccord Genuity to be its agent and on its behalf (without any obligation or duty to do so), to sign, execute and deliver any documents and do all acts, matters and things as may be necessary for, or incidental to, its acquisition of all or any of the Placing Shares for which it has given a commitment under the Placing, in the event of its own failure to do so;
- 4.20 it accepts that if the Placing does not proceed or the conditions to Canaccord Genuity’s obligations in respect of such Placing under the Placing Agreement are not satisfied or the Placing Agreement is terminated prior to Admission for any reason whatsoever or such Placing Shares are not admitted to trading on AIM for any reason whatsoever, then neither Canaccord Genuity nor the Company nor the Selling Shareholders nor any of their respective affiliates, nor persons controlling, controlled by or under common control with any of them nor any of their respective employees, agents, officers, members, stockholders, partners or representatives, shall have any liability whatsoever to it or any other person;

- 4.21 it has not taken any action or omitted to take any action which will or may result in Canaccord Genuity, the Company, the Selling Shareholders or any of their respective affiliates being in breach of the legal or regulatory requirements of any territory in connection with the Placing or its acquisition of Placing Shares pursuant to the Placing;
- 4.22 in connection with its participation in the Placing, it has observed all relevant legislation and regulations, in particular (but without limitation) those relating to money laundering and countering terrorist financing including under the Proceeds of Crime Act 2002, the Terrorism Act 2000, the Terrorism Act 2006 and the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 and that its offer commitment is only made on the basis that it accepts full responsibility for any requirement to identify and verify the identity of its clients and other persons in respect of whom it has applied. In addition, it warrants that it is a person: (i) subject to the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (as amended) in force in the United Kingdom; or (ii) subject to the Money Laundering Directive (2005/60/EC of the European Parliament and of the EC Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing) (the **"Money Laundering Directive"**); or (iii) acting in the course of a business in relation to which an overseas regulatory authority exercises regulatory functions and is based or incorporated in, or formed under the law of, a country in which there are in force provisions at least equivalent to those required by the Money Laundering Directive;
- 4.23 due to anti-money laundering and the countering of terrorist financing requirements, Canaccord Genuity, and/or the Company and/or the Selling Shareholders may require proof of identity of the Placee and related parties and verification of the source of the payment before the placing commitment can be processed and that, in the event of delay or failure by the Placee to produce any information required for verification purposes Canaccord Genuity, and/or the Company and/or the Selling Shareholders may refuse to accept the placing commitment and the subscription and/or purchase moneys relating thereto. It holds harmless and will indemnify Canaccord Genuity, and/or the Company and/or the Selling Shareholders against any liability, loss or cost ensuing due to the failure to process the placing commitment, if such information as has been required has not been provided by it or has not been provided on a timely basis;
- 4.24 it is aware of the obligations regarding insider dealing in the Criminal Justice Act 1993, the MAR and the Proceeds of Crime Act 2002 and confirms that it has complied and will continue to comply with those obligations;
- 4.25 it and each person or body (including, without limitation, any local authority or the managers of any pension fund) on whose behalf it accepts Placing Shares pursuant to the Placing or to whom it allocates such Placing Shares have the capacity and authority to enter into and to perform their obligations as a Placee of the Placing Shares and will honour those obligations;
- 4.26 as far as it is aware it is not acting in concert (within the meaning given in the Takeover Code) with any other person in relation to the Company and it is not a related party of the Company for the purposes of the AIM Rules;
- 4.27 Canaccord Genuity is entitled to exercise any of its rights under the Placing Agreement or any other right in its absolute discretion, including the right to terminate the Placing Agreement, without any liability whatsoever to it (or any agent acting on their behalf) and Canaccord Genuity shall not have any obligation to consult or notify Placees in relation to any right or discretion given to it or which it is entitled to exercise;
- 4.28 Canaccord Genuity expressly reserves the right to determine, at any time prior to Admission, not to proceed with the Placing. If such right is exercised, the Placing (and the arrangements associated with it) will lapse and any monies received in respect of the Placing will be returned to Placees without interest;
- 4.29 the representations, undertakings and warranties given by a Placee as contained in this Document or in any Investor Letter, where relevant, are irrevocable. It acknowledges that Canaccord Genuity, the Selling Shareholders and the Company and their respective affiliates will rely upon the truth and accuracy of such representations, undertakings and warranties



and it agrees that if any of the representations, undertakings or warranties made or deemed to have been made by its application for Placing Shares are no longer accurate, it shall promptly notify Canaccord Genuity and the Company;

- 4.30 it confirms that it is not and at Admission will not be, an affiliate of the Company or a person acting on behalf of such affiliate and it is not acquiring Placing Shares for the account or benefit of an affiliate of the Company or of a person acting on behalf of such an affiliate;
- 4.31 nothing has been done or will be done by it in relation to the Placing that has resulted or could result in any person being required to publish a prospectus in relation to the Company or to any Ordinary Shares in accordance with FSMA or the Prospectus Rules or in accordance with any other laws applicable in any part of the European Union or the European Economic Area;
- 4.32 it will (or will procure that its nominee will) if applicable, make notification to the Company of the interest in its Ordinary Shares in accordance with Rule 5 of the Disclosure Guidance and Transparency Rules as they apply to the Company pursuant to the Articles;
- 4.33 it accepts that the allocation of Placing Shares shall be determined by Canaccord Genuity following consultation with the Company and that Canaccord Genuity may scale down any placing commitments on such basis as it may determine; and
- 4.34 time shall be of the essence as regards its obligations to settle payment for the Placing Shares and to comply with its other obligations under the Placing.

## **5. Indemnity**

Each Placee irrevocably agrees, on its own behalf and on behalf of any person on whose behalf it is acting, to indemnify and hold the Company, the Selling Shareholders and Canaccord Genuity and their respective affiliates harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of any breach by it or any person on whose behalf it is acting of the representations, warranties, undertakings, agreements and acknowledgements in these Terms and Conditions.

## **6. Supply and disclosure of information**

If Canaccord Genuity, the Selling Shareholders, the Registrars or the Company or any of their agents request any information in connection with a Placee's agreement to acquire Placing Shares under the Placing or to comply with any relevant legislation, such Placee must promptly disclose it to them.

## **7. Miscellaneous**

- 7.1 The rights and remedies of the Company, the Selling Shareholders, Canaccord Genuity and the Registrars under these Terms and Conditions are in addition to any rights and remedies which would otherwise be available to each of them and the exercise or partial exercise of one will not prevent the exercise of others.
- 7.2 On the acceptance of its placing commitment, if a Placee is a discretionary fund manager, that Placee may be asked to disclose in writing or orally the jurisdiction in which its funds are managed or owned. All documents provided in connection with the Placing will be sent at the Placee's risk. They may be returned by post to such Placee at the address notified by such Placee.
- 7.3 Each Placee agrees to be bound by the Articles (as amended from time to time) once the Placing Shares, which the Placee has agreed to acquire pursuant to the Placing, have been acquired by the Placee. The contract to acquire Placing Shares under the Placing and the appointments and authorities mentioned in this Document will be governed by and construed in accordance with, the laws of England. For the exclusive benefit of the Company, the Selling Shareholders, Canaccord Genuity and the Registrars, each Placee irrevocably submits to the jurisdiction of the courts of England and Wales and waives any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum. This does not prevent an action being taken against a Placee in any other jurisdiction.

- 7.4 In the case of a joint agreement to acquire Placing Shares under the Placing, references to a "Placee" in these terms and conditions are to each of the Placees who are a party to that joint agreement and their liability is joint and several.
- 7.5 Canaccord Genuity, the Selling Shareholders and the Company expressly reserve the right to modify the Placing (including, without limitation, its timetable and settlement) at any time before allocations are determined including the right of Canaccord Genuity to notify to the Company and/or the Selling Shareholders the extension for the dates and times for satisfaction of any or all of the conditions in the Placing Agreement (provided that such conditions are not extended beyond 8.00 a.m. on 14 June 2021).
- 7.6 The Placing is subject to the satisfaction of the conditions contained in the Placing Agreement and the Placing Agreement not having been terminated in accordance with its terms. For further details of the terms of the Placing Agreement please refer to paragraph 13.1 of Part VI of this Document.
- 7.7 Canaccord Genuity may, and its affiliates acting as an investor for its or their own account(s) may, acquire Placing Shares and, in that capacity may retain, purchase, offer to sell or otherwise deal for its or their own account(s) in the Placing Shares, any other securities of the Company or other related investments in connection with the Placing or otherwise. Accordingly, references in these Terms and Conditions to the Placing Shares being offered, subscribed, sold, acquired or otherwise dealt with should be read as including any offer to, or subscription, acquisition or dealing by, Canaccord Genuity and/or any of their respective affiliates acting as a Placee for its or their own account(s). Neither Canaccord Genuity nor the Company intend to disclose the extent of any such investment or transaction otherwise than in accordance with any legal or regulatory obligation to do so.
- 7.8 Each Placee which acquires Placing Shares will be deemed to undertake that it agrees that it is liable for any capital duty, stamp duty, stamp duty reserve tax and all other stamp, issue, securities, transfer registration, documentary or other duties or taxes (including any interest, fines or penalties relating thereto) payable outside the United Kingdom by such Placee or any other person on the acquisition by such Placee of any Placing Shares or the agreement by such Placee to acquire any Placing Shares.

## **8. Sales outside the United States**

Each acquirer of the Placing Shares offered in reliance on Regulation S will be deemed to represent, warrant

and agree as follows:

- 8.1 it and any person, if any, for whose account it is acquiring the Placing Shares, is acquiring the Placing Shares outside the United States in an offshore transaction meeting the requirements of Regulation S and the transaction was not pre-arranged with a buyer in the United States;
- 8.2 it is not in any jurisdiction in which it is unlawful to make or accept an offer to acquire the Placing Shares;
- 8.3 it is aware that the Placing Shares have not been and will not be registered under the US Securities Act and are being offered and sold only in "offshore transactions" outside the United States in reliance on Regulation S;
- 8.4 it is not acquiring the Placing Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Placing Shares into the United States or any jurisdiction referred to above;
- 8.5 if in the future it decides to offer, sell, transfer, assign or otherwise dispose of the Ordinary Shares, it will do so only pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act;
- 8.6 it has received, carefully read and understands this Document and has not distributed, forwarded, transferred or otherwise transmitted this Document or any other presentation or offering materials concerning the Placing Shares to any persons within the United States, nor will it do any of the foregoing; and



- 8.7 that the Company, Canaccord Genuity and the Selling Shareholders, their affiliates and others, will rely upon jurisdictions may be restricted by law and therefore persons into whose possession this Document comes should inform themselves about and observe any restrictions, including those set out in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

## **9. Selling restrictions**

- 9.1 The distribution of this Document and the offer of Ordinary Shares pursuant to the Placing in certain jurisdictions may be restricted by law and therefore persons into whose possession this Document comes should inform themselves about and observe any restrictions, including those set out in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

- 9.2 The Ordinary Shares may not be offered or sold, directly or indirectly, and neither this Document nor any other offering material or advertisement in connection with the Ordinary Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this Document comes should inform themselves about and observe any restrictions on the distribution of this Document and the offer of the Ordinary Shares pursuant to the Placing contained in this Document. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This Document does not constitute an offer to subscribe for or acquire any of the Ordinary Shares offered hereby to any person in any jurisdiction to whom it is unlawful to make such offer of solicitation in such jurisdiction.

### **9.3 *Relevant States***

In relation to each Relevant State, no Ordinary Shares have been offered or will be offered pursuant to the Placing to the public in that Relevant State, except that an offer to the public in that Relevant State of any Ordinary Shares may be made at any time under the following exemptions under the Prospectus Regulation:

- (a) to any legal entity which is a Qualified Investor;
- (b) to fewer than 150, natural or legal persons (other than Qualified Investors) per Relevant State, subject to obtaining the prior consent of Canaccord Genuity for any such offer; or
- (c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Ordinary Shares shall result in a requirement for the Company or Canaccord Genuity to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or a supplemental prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an “offer to the public” in relation to any Ordinary Shares in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the Placing and any Ordinary Shares so as to enable a Placee to decide to acquire any Ordinary Shares.

In the case of any Ordinary Shares being offered to a “financial intermediary” as that term is used in Article 5(1) of the Prospectus Regulation, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Ordinary Shares acquired by it in the Placing have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Ordinary Shares to the public other than their offer or resale in a Relevant State to Qualified Investors as so defined or in circumstances in which the prior consent of the Company and Canaccord Genuity has been obtained to each such proposed offer or resale.

The Company, the Selling Shareholders, Canaccord Genuity and their respective affiliates and others will rely upon the truth and accuracy of the foregoing representation, warranty, acknowledgement and agreement. Notwithstanding the above, a person who is not a Qualified Investor and who has notified Canaccord Genuity of such fact in writing may, with the consent of Canaccord Genuity, be permitted to acquire Ordinary Shares in the Placing.

#### 9.4 *United States of America*

The Ordinary Shares have not been and will not be registered under the US Securities Act or under the securities laws or regulations of any state or other jurisdiction of the United States and may not be offered, sold, resold, transferred or delivered, directly or indirectly, in or into or from the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no offer of the Ordinary Shares in the United States. The Ordinary Shares are being offered and sold only outside the United States in “offshore transactions” in reliance on Regulation S.

In addition, until 40 days after the commencement of the Placing, an offer or sale of Ordinary Shares within the United States by any dealer (whether or not participating in the Placing) may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act.

#### 9.5 *Australia*

This Document has not been and will not be lodged with the Australian Securities and Investments Commission or the Australian Stock Exchange and is not a disclosure document for purposes of Australian law. This Document (whether in preliminary or definitive form) may not be issued or distributed in Australia and no offer or invitation may be made in relation to the issue, sale or purchase of any Ordinary Shares in Australia (including an offer or invitation received by a person in Australia) and no shares may be sold in Australia, unless the offer or invitation does not need disclosure to investors under Part 6D.2 of the Corporations Act 2001.

Each acquirer of Ordinary Shares will be deemed to have acknowledged the above and, by applying for Ordinary Shares under this Document, gives an undertaking to the Company not to offer, sell, transfer, assign or otherwise alienate those securities to persons in Australia (except in the circumstances referred to above) for 12 months after their issue.

#### 9.6 *Canada*

The relevant clearances have not been and will not be, obtained from the Securities Commission of any province or territory of Canada. Accordingly, subject to certain exceptions the Ordinary Shares may not, directly or indirectly, be offered or sold within Canada, or offered or sold to a resident of Canada.

#### 9.7 *Republic of South Africa*

The relevant clearances have not been and will not be, obtained from the South African Reserve Bank nor any other applicable body in the Republic of South Africa. Accordingly, the Placing Shares will not, directly or indirectly, be offered or sold within the Republic of South Africa.

#### 9.8 *Japan*

The Placing Shares have not been and will not be registered under the Securities and Exchange Law of Japan and may not be offered or sold directly or indirectly in Japan except under circumstances that result in compliance of all applicable laws, regulations and guidelines promulgated by the relevant governmental and regulatory authorised in effect at the relevant time.

### 10. **Allocation**

10.1 Canaccord Genuity has solicited indications of interest from prospective Placees to acquire Ordinary Shares in the Placing. On this basis, prospective Placees have been asked to specify the number of Ordinary Shares that they are prepared to acquire at different prices. Multiple applications under the Placing are permitted.

10.2 A number of factors have been considered in deciding the Placing Price and the bases of allocation, including prevailing market conditions, the level and the nature of the demand for Ordinary Shares and the objective of encouraging long-term ownership of the Ordinary Shares. The Placing Price has been established at a level determined in accordance with

these arrangements, taking into account indications of interest received from persons (including market-makers and fund managers) connected with Canaccord Genuity. Accordingly, the Placing Price may be lower than the highest price at which all of the Ordinary Shares, in respect of which indications of interest have been received or which are available for subscription or sale in the Placing, could have been accepted.

- 10.3 Placees will be advised verbally or by electronic mail of their allocation as soon as practicable following allocation.
- 10.4 Placees will be contractually committed to acquire the number of Placing Shares allocated to them at the Placing Price and, to the fullest extent permitted by law, will be deemed to have agreed not to exercise any rights to rescind or terminate, or otherwise withdraw from, such commitment. Dealing with the Placing Shares may not begin before notification is made.
- 10.5 All Ordinary Shares to be issued or sold pursuant to the Placing will be issued or sold, payable in full, at the Placing Price.
- 10.6 The rights attaching to the Ordinary Shares are uniform in all respects and they form a single class for all purposes.
- 10.7 Each Ordinary Share ranks equally in all respects with each other Ordinary Share and has the same rights (including voting and dividend rights and rights to a return of capital) and restrictions as each other Ordinary Share, as set out in the Articles.
- 10.8 Subject to the provisions of the Articles, any equity securities issued by the Company for cash must first be offered to Shareholders in proportion to their holdings of Ordinary Shares. The Articles allows for the disapplication of pre-emption rights which may be waived by special resolution of the Shareholders, either generally or specifically, for a maximum period not exceeding five years.
- 10.9 Except in relation to dividends which have been declared and rights on a liquidation of the Company, the Shareholders have no rights to share in the profit of the Company.
- 10.10 The Ordinary Shares are not redeemable. However, the Company may purchase or contract to purchase any of the Ordinary Shares.
- 10.11 Further details of the rights attached to the Ordinary Shares are set out in paragraph 5 of Part VI of this Document.

## **11. Dealing arrangements**

- 11.1 The Placing is subject to the satisfaction of certain conditions contained in the Placing Agreement, which are typical for an agreement of this nature, including Admission occurring and becoming effective by 8.00 a.m. on 24 May 2021 or such later date as may be determined in accordance with such agreement and the Placing Agreement not having been terminated in accordance with its terms. Certain conditions are related to events which are outside the control of the Company, the Directors, and Canaccord Genuity. Further details of the Placing Agreement are described in paragraph 13.1 of Part VI of this Document.
- 11.2 Application will be made to the London Stock Exchange for all of the Ordinary Shares, issued and to be issued, to be admitted to trading on AIM. Admission of the Ordinary Shares is not being sought on any market other than AIM.
- 11.3 It is expected that Admission will take place and dealings in the Ordinary Shares will commence on AIM at 8.00 a.m. on 24 May 2021.
- 11.4 Each Placee will be required to undertake to pay the Placing Price for the Ordinary Shares acquired by such Placee in such manner as shall be directed by Canaccord Genuity.
- 11.5 The Ordinary Shares are in registered form and can be held in certificated or uncertificated form. Title to certificated Ordinary Shares (if any) will be evidenced in the register of members of the Company and title to uncertificated Ordinary Shares will be evidenced by entry into the operator register maintained by the Registrars (which will form part of the register of members of the Company).

- 11.6 It is intended that allocations of Placing Shares to Placees who wish to hold Placing Shares in uncertificated form will take place through CREST on Admission. It is intended that, where applicable, definitive share certificates in respect of the Placing Shares will be posted by first class post as soon as is practicable following Admission. Dealings in advance of the crediting of the relevant CREST stock account shall be at the risk of the person concerned. Prior to the despatch of definitive share certificates in respect of any Placing Shares which are not settled in CREST, transfers of those Placing Shares will be certified against the register of members of the Company. No temporary documents of title will be issued.

## **12. CREST**

- 12.1 With effect from Admission, the Articles will permit the holding of Ordinary Shares under the CREST system. CREST is a paperless settlement system allowing securities to be transferred from one person's CREST account to another's without the need to use share certificates or written instruments of transfer. The Company has applied for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if any Shareholder so wishes. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.
- 12.2 Each Placee allocated Placing Shares in the Placing will be sent a trade confirmation stating the number of Placing Shares allocated to it, the Placing Price, the aggregate amount owed by each Placee to Canaccord Genuity and settlement instructions. Placees should settle against CREST ID: 805. Each Placee agrees that it will do all things necessary to ensure that delivery and payment is completed in accordance with either the standing CREST or certificated settlement instructions which it has in place with Canaccord Genuity.

## **13. Placing arrangements**

- 13.1 The Company, the Directors, the Selling Shareholders and Canaccord Genuity have entered into the Placing Agreement, pursuant to which Canaccord Genuity has agreed, subject to certain conditions, to use its reasonable endeavours to procure subscribers for the Placing Shares and purchasers for the Secondary Placing Shares at the Placing Price.
- 13.2 The Placing Agreement contains provisions entitling Canaccord Genuity to terminate the Placing at any time prior to Admission in certain circumstances. If this right is exercised, the Placing and these arrangements will lapse and any monies received in respect of the Placing will be returned to Placees without interest. The Placing Agreement provides for Canaccord Genuity to be paid a commission in respect of the Placing Shares acquired by Placees. Any commission received by Canaccord Genuity may be retained and any Placing Shares acquired by them may be retained or dealt in, by it, for its own benefit.
- 13.3 Further details of the terms of the Placing Agreement and the Selling Shareholder Agreements are set out in paragraph 13.1 of Part VI of this Document.

## **14. UK Product Governance Requirements**

- 14.1 Solely for the purposes of the product governance requirements contained within the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK Product Governance Rules**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any 'manufacturer' (for the purposes of the UK Product Governance Rules) may otherwise have with respect thereto, the Placing Shares and the Secondary Placing Shares have been subject to a product approval process, which has determined that such Placing Shares and the Secondary Placing Shares are: (i) compatible with an end target market of: (a) investors who meet the criteria of professional clients as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018; (b) eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"); and (c) retail clients who do not meet the definition of professional client under (a) or eligible counterparty per (b); and (ii) eligible for distribution through all distribution channels as are permitted by Directive 2014/65/EU (the "**UK target market assessment**"). Notwithstanding the UK target market assessment, distributors should note that: the price of the Placing Shares and the Secondary Placing Shares may decline and investors could lose all or part of their investment; the Placing

Shares and the Secondary Placing Shares offer no guaranteed income and no capital protection; and an investment in the Placing Shares and the Secondary Placing Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The UK target market assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the placing. Furthermore, it is noted that, notwithstanding the UK target market assessment, Canaccord Genuity will only procure investors who meet the criteria of professional clients and eligible counterparties. For the avoidance of doubt, the UK target market assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of COBS 9A and COBS 10A, respectively; or (b) a recommendation to any investor or group of investors to invest in, or purchase or take any other action whatsoever with respect to the Placing Shares and the Secondary Placing Shares. Each distributor is responsible for undertaking its own UK target market assessment in respect of the Placing Shares and the Secondary Placing Shares and determining appropriate distribution channels.

## 15. EU Product Governance Requirements

- 15.1 Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended (“**MiFID II**”); (B) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the “**MiFID II Product Governance Requirements**”), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any ‘manufacturer’ (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Placing Shares and the Secondary Placing Shares have been subject to a product approval process, which has determined that such Placing Shares and the Secondary Placing Shares are:
- (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and
  - (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the “**Target Market Assessment**”). Notwithstanding the Target Market Assessment, distributors should note that: the price of the Placing Shares and the Secondary Placing Shares may decline and investors could lose all or part of their investment; the Placing Shares and the Secondary Placing Shares offer no guaranteed income and no capital protection; and an investment in the Placing Shares and the Secondary Placing Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Placing. Furthermore, it is noted that, notwithstanding the Target Market Assessment, Canaccord Genuity will only procure investors who meet the criteria of professional clients and eligible counterparties.
- 15.2 For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase or take any other action whatsoever with respect to the Placing Shares and the Secondary Placing Shares.
- 15.3 Each distributor is responsible for undertaking its own target market assessment in respect of the Placing Shares and the Secondary Placing Shares and determining appropriate distribution channels.

