

## ELECTRONIC TRANSMISSION DISCLAIMER

**IMPORTANT:** You must read the following disclaimer before continuing. This electronic transmission applies to the attached document, which has been prepared solely in connection with the issue of new ordinary shares in the capital of McColl's Retail Group plc (the "**Company**") in connection therewith (the "**Offering**"). You are advised to read this disclaimer carefully before reading, accessing or making any other use of the attached document. In accessing this electronic transmission and the attached document, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from the Company as a result of such access. You acknowledge that the delivery of this electronic transmission and the attached document is confidential and intended for you only and you agree you will not forward, reproduce or publish this electronic transmission or the attached document to any other person. This document has been approved by the FCA as a prospectus prepared in accordance with the FCA's Prospectus Regulation Rules made under section 73A of the Financial Services and Markets Act 2000, as amended. This document has been published and is available from the Company's registered office (provided that inspection in person may only take place in accordance with the measures imposed by the UK Government in connection with the COVID-19 pandemic) and on the Company's website at [www.mccollspc.co.uk](http://www.mccollspc.co.uk).

**THIS ELECTRONIC TRANSMISSION AND THE ATTACHED DOCUMENT MAY ONLY BE DISTRIBUTED AS PART OF "OFFSHORE TRANSACTIONS" AS DEFINED IN, AND IN RELIANCE ON, REGULATION S UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "US SECURITIES ACT"). ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS ELECTRONIC TRANSMISSION AND THE ATTACHED DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS NOTICE MAY RESULT IN A VIOLATION OF THE US SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. NOTHING IN THIS ELECTRONIC TRANSMISSION AND THE ATTACHED DOCUMENT CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.**

**THE SECURITIES REFERRED TO HEREIN HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN TRANSACTIONS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE US SECURITIES ACT AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THERE WILL BE NO PUBLIC OFFERING OF THE SECURITIES IN THE UNITED STATES.**

This electronic transmission and the attached document are addressed to and directed only at persons, in member states of the European Economic Area, who are "qualified investors" within the meaning of Article 2(1)(e) of the EU Prospectus Regulation (2017/1129/EU) ("**Qualified Investors**"). Any investment or investment activity to which the attached Prospectus relates is available, in any member state of the European Economic Area, only to Qualified Investors and this electronic transmission and the attached document must not be acted on or relied on in any member state of the European Economic Area except by Qualified Investors.

This electronic transmission and the attached document are addressed to and directed only at persons, in the United Kingdom, who are (a) both "qualified investors" within the meaning of the UK version of the EU Prospectus Regulation (2017/1129/EU) which is part of UK law by virtue of the European Union (Withdrawal) Act 2018 and either (i) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"); or (ii) persons who are high net worth entities falling within Article 49(2)(a) to (d) of the Order; or (b) other persons to whom it may otherwise lawfully be communicated (all such persons under (a) and (b) together being referred to as "**relevant persons**"). Any investment or investment activity to which the attached document relates is available in the United Kingdom only to relevant persons.

This electronic transmission and the attached document must not be acted on or relied on in the United Kingdom, by persons who are not relevant persons.

Persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction.

**Confirmation of Your Representation:** This electronic transmission and the attached document are delivered to you on the basis that you are deemed to have represented to the Company, Panmure Gordon (UK) Limited (“**Panmure Gordon**”) and Singer Capital Markets Securities Limited (together with Panmure Gordon, the “**Banks**”) that you are a person into whose possession this electronic transmission and the attached document may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this electronic transmission or the attached document, electronically or otherwise, to any other person.

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**Restriction:** Nothing in this electronic transmission constitutes, and this electronic transmission may not be used in connection with, an offer of securities for sale to persons other than the specified categories of institutional buyers described above and to whom it is directed and access has been limited so that it shall not constitute a general solicitation. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

You are responsible for protecting against viruses and other destructive items. Your receipt of the attached document via electronic transmission is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

**THIS DOCUMENT AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION.**

If you are in any doubt about the contents of this document or the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other appropriate independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (“FSMA”) if you are in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

This document comprises: (i) a simplified prospectus relating to McColl’s Retail Group plc (the “Company”) for the purposes of Article 14 of the UK version of Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (“EUWA”), as amended (the “UK Prospectus Regulation”); and (ii) a circular prepared for the purposes of the General Meeting convened pursuant to the Notice of General Meeting set out at the end of this document. This document has been approved as a prospectus by the FCA under section 87A of the FSMA, as a competent authority under the UK Prospectus Regulation, and made available to the public in accordance with the Prospectus Regulation Rules. The FCA only approves this document as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation and such approval shall not be considered as an endorsement of the Company or of the quality of the securities that are the subject of this document. Investors should make their own assessment as to the suitability of investing in the New Ordinary Shares.

Subject to the restrictions set out below, if you sell or transfer, or have sold or otherwise transferred, all of your Existing Ordinary Shares (other than ex-entitlements) held in certificated form before 08.00 on 12 August 2021 (the “Ex-Entitlements Date”), please send this document, together with any Form of Proxy and Application Form (if applicable and when received), as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer will be or was effected, for onward delivery to the purchaser or transferee. None of these documents should, however, be distributed, forwarded to or transmitted into any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including, but not limited to (subject to certain exceptions), the United States and any of the other Excluded Territories. If you sell or transfer, or have sold or otherwise transferred, all or some of your Existing Ordinary Shares (other than ex-entitlements) held in uncertificated form before the Ex-Entitlements Date, a claim will automatically be generated by Euroclear which, on settlement, will transfer the appropriate number of Open Offer Entitlements to the purchaser or transferee.

The Company and the directors of the Company (the “Directors”), whose names and principal functions appear on page 32 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors, the information contained in this document is in accordance with the facts and this document makes no omission likely to affect its import.

**This document and the accompanying documents should not be distributed, forwarded to or transmitted, in whole or in part, in or into the United States or any of the other Excluded Territories or into any other jurisdiction where to do so might constitute a breach of any applicable law. Any failure to comply with any such restrictions may constitute a violation of the securities laws of such jurisdictions.**

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# **MCCOLL’S RETAIL GROUP PLC**

*(Incorporated and registered in England and Wales with registered number 08783477)*

**FIRM PLACING OF 150,000,000 NEW ORDINARY SHARES AT 20 PENCE PER SHARE**

**and**

**OPEN OFFER OF 25,000,000 NEW ORDINARY SHARES AT 20 PENCE PER SHARE**

**and**

**NOTICE OF GENERAL MEETING**

*Sponsor, Joint Broker and Joint Bookrunner*

**Panmure Gordon (UK) Limited**

*Joint Broker and Joint Bookrunner*

**Singer Capital Markets Securities Limited**

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The Existing Ordinary Shares of the Company are admitted to the premium listing segment of the Official List maintained by the FCA and to trading on the main market for listed securities of the London Stock Exchange. Application will be made to the FCA for the New Ordinary Shares to be admitted to the premium listing segment of the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the London Stock Exchange’s main market for listed securities (together, “Admission”). Subject to, *inter alia*, the passing of the Resolutions at the General Meeting, it is expected that Admission will become effective and that dealings in the New Ordinary Shares will commence on the main market for listed securities of the London Stock Exchange on or around 8.00 a.m. (London time) on 6 September 2021. The New Ordinary Shares will not be admitted to trading on any other investment exchange.

**You should carefully read the whole of this document, including any accompanying documents and any documents incorporated by reference. Your attention is drawn to the letter from the Chairman of the Company, which is set out in Part I of this document, and which contains a recommendation from the Board that you vote in favour of all the Resolutions to be proposed at the General Meeting. Shareholders and any other person contemplating a purchase of New Ordinary Shares should review in particular the risk factors set out in this document for a discussion of certain risks and uncertainties and other factors that should be considered when deciding on what action to take in relation to the Capital Raising and deciding whether or not to purchase the New Ordinary Shares. In making an investment decision each investor must carry out his or her own examination, analysis and enquiry of the Company and the terms of the proposed Capital Raising, including the merits and risks involved. All Restricted Shareholders and any person (including, without limitation, a nominee or trustee) who has a contractual or legal obligation to forward this document or any accompanying documents, if received, or other document to a jurisdiction outside the United Kingdom should read Part IV (*Terms and Conditions of the Open Offer*) of this document.**

A notice convening the General Meeting of the Company, to be held at Ground Floor West, One London Road, Brentwood, Essex, England, CM14 4QW at 11.00 a.m. on 1 September 2021, is set out at the end of this document. Based on the current UK Government guidance, the Company expects to be able to welcome Shareholders in person to the General Meeting. However, due to the evolving nature of the COVID-19 pandemic, we cannot guarantee that physical attendance will be permitted by law and UK Government guidance. If such law and guidance requires us to restrict entry to, or limit the number of attendees at, the General Meeting, an announcement will be released and details will also be published on our website at [www.mccollspc.co.uk](http://www.mccollspc.co.uk). If entry is restricted to General Meeting, it is intended that the General Meeting would be convened in accordance with the Company's Articles of Association and in line with the UK Government guidance. We reserve the right to put in place arrangements to protect attendees from any risk to their health.

The Board are committed to open dialogue with our Shareholders and we remain mindful of ensuring that Shareholders have an opportunity to engage with the Board. Shareholders are encouraged to submit questions in advance of the General Meeting, or raise matters of concern as a Shareholder by emailing [investor.relations@mccolls.co.uk](mailto:investor.relations@mccolls.co.uk) with the subject line 'General Meeting' before 1 September 2021. Answers to questions that are of common interest will be published on the Group's website and any other responses will be made by return email.

Shareholders are encouraged to exercise their voting rights and you will find enclosed with this document a Form of Proxy to be used in connection with the General Meeting. It is important to the Board that Shareholders have the opportunity to vote despite the uncertainty regarding attending the General Meeting in person. You can use the enclosed Form of Proxy to nominate someone else to come to the meeting and vote for you (this person is called a proxy). To appoint a proxy you need to send back the Form of Proxy enclosed with this document to the Registrar as soon as possible and in any event so as to arrive no later than 11.00 a.m. on 30 August 2021, being 48 hours before the time appointed for holding the General Meeting. In light of the on-going risks to public health associated with the COVID-19 pandemic, it is recommended that Shareholders wishing to vote on the Resolutions complete the enclosed Form of Proxy and appoint the Chairman of the General Meeting as proxy. Shareholders are strongly encouraged not to appoint any person other than the Chairman of the Meeting to act as their proxy, as that person may not be granted access to the General Meeting on the day and so their appointing Shareholder's votes would not be counted.

Alternatively, you may appoint a proxy electronically via [www.sharevote.co.uk](http://www.sharevote.co.uk) or, if registered, via [www.shareview.co.uk](http://www.shareview.co.uk) or, if you hold your Ordinary Shares in uncertificated form (i.e. in CREST), you may appoint a proxy by completing and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the CREST Manual so that it is received by the Registrar (ID RA19) by no later than 11.00 a.m. on 30 August 2021.

**The latest time and date for acceptance and payment in full for the New Ordinary Shares by Qualifying Shareholders is expected to be 11.00 a.m. (London time) on 27 August 2021. The procedures for acceptance and payment are set out in Part IV (*Terms and Conditions of the Open Offer*) of this document and, for Qualifying Non-CREST Shareholders only, will also be set out in the Application Form. Qualifying CREST Shareholders should refer to paragraph 4 of Part IV (*Terms and Conditions of the Open Offer*) of this document. Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Capital Raising.**

Panmure Gordon (UK) Limited ("**Panmure Gordon**") and Singer Capital Markets Securities Limited ("**Singer Capital Markets**"), which are each authorised and regulated in the United Kingdom by the FCA, are acting exclusively for the Company and no one else in connection with the Capital Raising and, in the case of Panmure Gordon as sponsor to the Company in connection with the publication of this document and the Related Party Transactions, and will not regard any other person (whether or not a recipient of this document) as their respective clients in relation to the Capital Raising and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients nor for providing advice in connection with the Capital Raising or any other matter referred to herein.

Apart from the responsibilities and liabilities, if any, which may be imposed on each of the Joint Bookrunners by FSMA or the regulatory regime established thereunder, none of the Joint Bookrunners, nor any of their respective affiliates accepts any responsibility whatsoever nor makes any representation or warranty, express or implied, to any person in respect of any acts or omissions of the Company in relation to the Capital Raising or for the contents of this document including its accuracy, completeness, sufficiency or verification or for any other statement made or purported to be made by or on behalf of it, the Company or the Directors in connection with the Company, the New Ordinary Shares or the Capital Raising and other matters referred to in this document and nothing in this document is or shall be read as a promise or representation in this respect whether as to the past or future. Each of the Joint Bookrunners accordingly disclaims to the fullest extent permitted by law all and any liability whatsoever whether arising in tort, contract or otherwise (save as referred to above) which it might otherwise have in respect of any acts or omissions of the Company in relation to the Capital Raising or this document or any such statement.

In connection with the Capital Raising, Panmure Gordon, Singer Capital Markets and any of their respective affiliates, acting as investors for their own accounts, may—in accordance with applicable legal and regulatory provisions and subject to certain restrictions in the Placing and Sponsor Agreement—engage in transactions in the New Ordinary Shares and subscribe for or purchase New Ordinary Shares as a principal position and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in the New Ordinary Shares, any other securities of the Company or other related investments in connection with the Capital Raising or otherwise. Accordingly, references in this document to New Ordinary Shares being offered or sold should be read as including any offering or sale of New Ordinary Shares to Panmure Gordon, Singer Capital Markets or any of their respective affiliates acting in such capacity. Neither Panmure Gordon, Singer Capital Markets nor any of their respective affiliates intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. In addition, in the event that the Joint Bookrunners subscribe for New Ordinary Shares which are not taken up by Qualifying Shareholders, the Joint Bookrunners may coordinate disposals of such shares in accordance with applicable law and regulation. Except as required by applicable law or regulation, the Joint Bookrunners and their respective affiliates to not propose to make any public disclosure in relation to such transactions.

Without prejudice to any legal or regulatory obligation on the Company to publish a supplementary prospectus pursuant to Article 23 of the UK Prospectus Regulation and Rule 3.4 of the Prospectus Regulation Rules, neither the delivery of this document nor Admission shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company or the Group since the date of this document or that the information in it is correct as at any time after the date of this document.

This document does not constitute an offer to sell or issue, or a solicitation of an offer to buy New Ordinary Shares in any jurisdiction in which such offer or solicitation would be unlawful. This document is being sent to holders with registered or mailing addresses in any such jurisdiction only in connection with the General Meeting and, in that context, no part of this document or the Application Form constitutes, or will constitute, or forms part of any offer to sell, or a solicitation of an offer to buy, New Ordinary Shares. All Overseas Shareholders with a registered address in the United States or in any of the other Excluded Territories and any person (including, without limitation, a nominee or trustee) who has a contractual or legal obligation to forward this document or any Application Form, if received, or other document to any jurisdiction outside the United Kingdom should read paragraph 7 of Part IV (*Terms and Conditions of the Open Offer*) of this document. Prospective investors must comply with all applicable laws and regulations in force in any applicable jurisdiction, and must obtain any consent, approval or permission required for the purchase, offer or sale of

the New Ordinary Shares under the laws and regulations in force in the jurisdiction to which such prospective investor is subject or in which such prospective investor makes such purchase, offer or sale, and none of the Company, the Joint Bookrunners or their respective employees, agents or representatives will have any responsibility therefor.

The New Ordinary Shares and Open Offer Entitlements have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**US Securities Act**”), or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable 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. Subject to certain exceptions, the New Ordinary Shares are being offered and sold solely outside the United States in “offshore transactions” as defined in and pursuant to Regulation S under the US Securities Act (“**Regulation S**”). There will be no public offer of New Ordinary Shares or Open Offer Entitlements in the United States or any of the other Excluded Territories.

This document, the New Ordinary Shares and Open Offer Entitlements have not been approved or disapproved by the US Securities and Exchange Commission (“**SEC**”), any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon, or endorsed the merits of, the offering of the New Ordinary Shares or Open Offer Entitlements or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

Neither this document nor the Application Form constitutes, or will constitute, or forms part of any offer or invitation to sell, issue or apply for, or any solicitation of any offer to purchase, subscribe for, or take up entitlements to the New Ordinary Shares to any person with a registered address in, or who is resident or located in, the United States.

**Any person in the United States who obtains a copy of this document and/or the Application Form is required to disregard it.**

## **NOTICE TO EEA INVESTORS**

In relation to each EEA State which has implemented the Prospectus Regulation (each a “**relevant member state**”), no New Ordinary Shares or Open Offer Entitlements have been offered or will be offered pursuant to the Capital Raising to the public in that relevant member state prior to the publication of a prospectus in relation to the New Ordinary Shares or Open Offer Entitlements which has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in the relevant member state, all in accordance with the Prospectus Regulation, except that, with effect from and including the relevant implementation date, offers of New Ordinary Shares or Open Offer Entitlements may be made in that relevant member state at any time:

- (A) to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (B) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) in such relevant member state; or
- (C) in any other circumstances falling within Articles 1(3), 1(4) or 3(2) of the Prospectus Regulation,

provided that no such offer of New Ordinary Shares or Open Offer Entitlements shall result in a requirement for the publication by the Company and the Joint Bookrunners of a prospectus pursuant to Article 3 of the UK Prospectus Regulation or supplemental prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For this purpose, the expression “offer of New Ordinary Shares or Open Offer Entitlements to the public” in relation to any New Ordinary Shares and Open Offer Entitlements in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the Capital Raising and any New Ordinary Shares and Open Offer Entitlements to be offered so as to enable an investor to decide to subscribe for or acquire any New Ordinary Shares or Open Offer Entitlements.

## **NOTICE TO ALL INVESTORS**

Capitalised terms have the meanings ascribed to them set out in Appendix I (*Definitions*) of this document.

Certain information in relation to the Company is incorporated by reference into this document. You should refer to Part XI (*Documents Incorporated by Reference*) of this document.

Any reproduction or distribution of this document, in whole or in part, and any disclosure of its contents or use of any information for any purposes other than in considering an acquisition of New Ordinary Shares and Open Offer Entitlements is prohibited, except to the extent such information is otherwise publicly available. By accepting delivery of, or accessing, this document, each offeree of the New Ordinary Shares and Open Offer Entitlements agrees to the foregoing.

**No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by the Company. Subject to FSMA, the Listing Rules, the Disclosure Guidance and Transparency Rules, the Prospectus Regulation Rules and the UK Market Abuse Regulation, neither the delivery of this document nor any acquisition or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Group since the date of this document or that the information in this document is correct as at any time after this date. Without limitation, the contents of the Company’s website, or any links accessible through the Company’s website, do not form part of this document.**

The investors also acknowledge that: (i) they have not relied on any of the Joint Bookrunners, nor any person affiliated with any of them in connection with any investigation of the accuracy of any information contained in this document or their investment decision; and (ii) they have relied only on the information contained in this document, and that no person has been authorised to give any information or to make any representation concerning the Company or the Group or the New 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 the Company or any of the Joint Bookrunners.

The contents of this document are not to be construed as legal, business or tax advice. Neither the Company, the Joint Bookrunners, nor any of their respective representatives, is making any representation to any offeree or purchaser of the New Ordinary Shares regarding the legality of an investment in the New Ordinary Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser. Each prospective investor should consult his, her or its own legal adviser, business advisor, financial adviser or tax adviser as to the legal, business, financial or tax related aspects of a purchase of the New Ordinary Shares.

The distribution of this document, any other offering or public material relating to the Capital Raising and/or the Application Forms and/or the transfer of the New Ordinary Shares and/or the Open Offer Entitlements through CREST or otherwise into jurisdictions other than the United Kingdom may be restricted by law. Persons into whose possession these documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any jurisdiction. In particular, subject to certain limited exceptions, such documents should not be distributed, in whole or in part, forwarded to or transmitted in or into the United States or any other Excluded Territory.

Given the rapidly changing global situation, and the current uncertainty over the duration of the disruption caused by the COVID-19 pandemic, it is impossible to predict, with any certainty, the continuing impact on the Company's business. As such, this document should be considered against this backdrop and Shareholders should understand that there is a high level of uncertainty surrounding any forward-looking statements and assumptions stated in connection with the Capital Raising.

## **INFORMATION TO DISTRIBUTORS**

Solely for the purposes of the product governance requirements of Chapter 3 of the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the UK Product Governance Requirements) may otherwise have with respect thereto, the New Ordinary Shares have been subject to a product approval process, which has determined that the New Ordinary 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 paragraph 3 of the FCA Handbook Conduct of Business Sourcebook (the "**Sourcebook**"); and (ii) eligible for distribution through all permitted distribution channels (the "**Target Market Assessment**").

Notwithstanding the Target Market Assessment, distributors should note that: (a) the price of the New Ordinary Shares may decline and investors could lose all or part of their investment; (b) the New Ordinary Shares offer no guaranteed income and no capital protection; and (c) an investment in the New Ordinary 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 Capital Raising. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Joint Bookrunners 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: (i) an assessment of suitability or appropriateness for the purposes of Chapters 9A or 10A of the Sourcebook; or (ii) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the New Ordinary Shares.

Each distributor is responsible for undertaking its own Target Market Assessment in respect of the New Ordinary Shares and determining appropriate distribution channels.

By accepting this document you agree to be bound by the above conditions and limitations.

The date of this document is 13 August 2021.

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## SUMMARY

<b>Section 1—Introduction and warnings</b>																																										
<i>Name and international securities identification number (ISIN) of the New Ordinary Shares</i>	McColl's Retail Group plc ordinary shares, ISIN: GB00BJ3VW957.																																									
<i>Identity and contact details of the issuer, including its legal entity identifier (LEI)</i>	The Company's legal name is McColl's Retail Group plc (the " <b>Company</b> ") and together with its subsidiaries, the " <b>Group</b> "). The Company's registered office is at Ground Floor West, One London Road, Brentwood, Essex, England, CM14 4QW and its telephone number is +44 1277 372 916. The legal entity identifier number (LEI) of the Company is 213800R1TLR536P8YJ67.																																									
<i>Identity and contact details of the competent authority approving the prospectus</i>	This prospectus has been approved by the Financial Conduct Authority as competent authority under the UK Prospectus Regulation (" <b>FCA</b> "). The head office of the FCA is at 12 Endeavour Square, London, E20 1JN, England. The telephone number of the FCA is +44 (0)20 7066 1000.																																									
<i>Date of approval of the prospectus</i>	This prospectus was approved on 13 August 2021.																																									
<i>Warnings</i>	This summary should be read as an introduction to the prospectus. Any decision to invest in the New Ordinary Shares should be based on a consideration of the prospectus as a whole by the investor including the information incorporated by reference. The investor could lose all or part of the invested capital. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent, when read together with the other parts of the prospectus, or where it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in such New Ordinary Shares.																																									
<b>Section 2—Key information on the issuer</b>																																										
<b>Who is the issuer of the securities?</b>																																										
<i>The domicile and legal form of the issuer; the law under which the issuer operates and its country of incorporation</i>	The Company is a public limited company domiciled and incorporated in England and Wales under the Companies Act 2006 with registered number 08783477. The principal legislation under which the Company operates is the Companies Act 2006 and regulations thereunder. The legal entity identifier number (LEI) of the Company is 213800R1TLR536P8YJ67.																																									
<i>The issuer's principal activities</i>	McColl's is a leading neighbourhood retailer with an estate of 1,222 managed convenience stores and newsagents as at 30 May 2021. The Group operates 'McColl's' and 'Morrisons Daily' branded convenience stores as well as newsagents branded 'Martin's Newsagents' across the UK, except in Scotland which is operated under its heritage brand, 'RS McColl'.																																									
<i>The issuer's major shareholders, including whether it is directly or indirectly owned or controlled and by whom</i>	<p>As at 12 August 2021 (the "<b>Reference Date</b>"), the Company had been notified in accordance with Rule 5 of the DTRs of the following interests in its Existing Ordinary Shares:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2" style="text-align: left; vertical-align: bottom;"><b>Name</b></th> <th colspan="2" style="text-align: center;"><b>Ordinary shares owned at the Reference Date</b></th> </tr> <tr> <th style="text-align: center;"><b>Number of Ordinary Shares<sup>(1)</sup></b></th> <th style="text-align: center;"><b>Per cent. of issued share capital</b></th> </tr> </thead> <tbody> <tr> <td>Aberforth . . . . .</td> <td style="text-align: right;">13,767,015</td> <td style="text-align: right;">11.94</td> </tr> <tr> <td>Jonathan Miller . . . . .</td> <td style="text-align: right;">11,683,068</td> <td style="text-align: right;">10.13</td> </tr> <tr> <td>Klarus Capital . . . . .</td> <td style="text-align: right;">11,399,500</td> <td style="text-align: right;">9.89</td> </tr> <tr> <td>Fidelity International . . . . .</td> <td style="text-align: right;">11,072,693</td> <td style="text-align: right;">9.60</td> </tr> <tr> <td>Stonehage Fleming . . . . .</td> <td style="text-align: right;">6,551,970</td> <td style="text-align: right;">5.68</td> </tr> <tr> <td>Hargreaves Lansdown, stockbrokers (EO) . . . . .</td> <td style="text-align: right;">6,273,783</td> <td style="text-align: right;">5.44</td> </tr> <tr> <td>BGF Investment Management . . . . .</td> <td style="text-align: right;">5,880,000</td> <td style="text-align: right;">5.10</td> </tr> <tr> <td>Chelverton Asset Management . . . . .</td> <td style="text-align: right;">5,700,000</td> <td style="text-align: right;">4.94</td> </tr> <tr> <td>Interactive Investor (EO) . . . . .</td> <td style="text-align: right;">4,201,757</td> <td style="text-align: right;">3.64</td> </tr> <tr> <td>Wells Fargo Securities . . . . .</td> <td style="text-align: right;">3,902,697</td> <td style="text-align: right;">3.38</td> </tr> <tr> <td>Laxey Partners . . . . .</td> <td style="text-align: right;">4,253,162</td> <td style="text-align: right;">3.69</td> </tr> <tr> <td>Ms Anita Zucker . . . . .</td> <td style="text-align: right;">3,750,000</td> <td style="text-align: right;">3.25</td> </tr> </tbody> </table> <p><b>Notes:</b></p> <p>(1) Includes both direct and indirect shareholdings.</p>	<b>Name</b>	<b>Ordinary shares owned at the Reference Date</b>		<b>Number of Ordinary Shares<sup>(1)</sup></b>	<b>Per cent. of issued share capital</b>	Aberforth . . . . .	13,767,015	11.94	Jonathan Miller . . . . .	11,683,068	10.13	Klarus Capital . . . . .	11,399,500	9.89	Fidelity International . . . . .	11,072,693	9.60	Stonehage Fleming . . . . .	6,551,970	5.68	Hargreaves Lansdown, stockbrokers (EO) . . . . .	6,273,783	5.44	BGF Investment Management . . . . .	5,880,000	5.10	Chelverton Asset Management . . . . .	5,700,000	4.94	Interactive Investor (EO) . . . . .	4,201,757	3.64	Wells Fargo Securities . . . . .	3,902,697	3.38	Laxey Partners . . . . .	4,253,162	3.69	Ms Anita Zucker . . . . .	3,750,000	3.25
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	None of the major shareholders referred to above have different voting rights from other shareholders of the Company. As at the Reference Date, the Company is not aware of any arrangements pursuant to which any person directly or indirectly, jointly or severally, will exercise or could exercise control over the Company.																																																												
<i>The identity of the issuer's key managing directors</i>	Jonathan Miller ( <i>Chief Executive Officer</i> ) Giles David ( <i>Chief Financial Officer</i> ) Richard Crampton ( <i>Chief Commercial Officer</i> ) Karen Bird ( <i>Operations and Colleague Director</i> )																																																												
<i>The identity of the issuer's statutory auditors</i>	BDO LLP, 3 Hardman Street, 3 Spinningfields, Manchester M3 3AT																																																												
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<i>Key financial information</i>	<p>The table below sets out the Group's summary financial information for the periods indicated. The financial information has been extracted without material adjustment from the audited and unaudited financial statements of the Group for the relevant period.</p> <p><u>Income Statement</u></p> <table border="1"> <thead> <tr> <th></th> <th style="text-align: center;"><b>53 weeks to 29 November 2020 Audited</b></th> <th style="text-align: center;"><b>52 weeks to 24 November 2019 Audited</b></th> <th style="text-align: center;"><b>26 weeks to 30 May 2021 Unaudited</b></th> <th style="text-align: center;"><b>26 weeks to 24 May 2020 Restated Unaudited</b></th> </tr> <tr> <th></th> <th style="text-align: center;"><b>£ million</b></th> <th style="text-align: center;"><b>£ million</b></th> <th style="text-align: center;"><b>£ million</b></th> <th style="text-align: center;"><b>£million</b></th> </tr> </thead> <tbody> <tr> <td>Revenue . . . . .</td> <td style="text-align: right;">1,258.1</td> <td style="text-align: right;">1,218.7</td> <td style="text-align: right;">572.7</td> <td style="text-align: right;">604.8</td> </tr> <tr> <td>Operating profit/(loss) . . . . .</td> <td style="text-align: right;"><u>12.3</u></td> <td style="text-align: right;"><u>(90.4)</u></td> <td style="text-align: right;"><u>2.3</u></td> <td style="text-align: right;"><u>7.6</u></td> </tr> <tr> <td><b>Total comprehensive loss for the period . . . . .</b></td> <td style="text-align: right;"><b><u>(7.4)</u></b></td> <td style="text-align: right;"><b><u>(100.7)</u></b></td> <td style="text-align: right;"><b><u>(4.1)</u></b></td> <td style="text-align: right;"><b><u>(0.9)</u></b></td> </tr> </tbody> </table> <p><u>Statement of Financial Position</u></p> <table border="1"> <thead> <tr> <th></th> <th style="text-align: center;"><b>29 November 2020 Audited</b></th> <th style="text-align: center;"><b>24 November 2019 Audited</b></th> <th style="text-align: center;"><b>30 May 2021 Unaudited</b></th> <th style="text-align: center;"><b>24 May 2020 Restated Unaudited</b></th> </tr> <tr> <th></th> <th style="text-align: center;"><b>£ million</b></th> <th style="text-align: center;"><b>£ million</b></th> <th style="text-align: center;"><b>£ million</b></th> <th style="text-align: center;"><b>£ million</b></th> </tr> </thead> <tbody> <tr> <td>Total assets . . . . .</td> <td style="text-align: right;"><u>562.3</u></td> <td style="text-align: right;"><u>410.2</u></td> <td style="text-align: right;"><u>546.0</u></td> <td style="text-align: right;"><u>626.3</u></td> </tr> <tr> <td>Total equity . . . . .</td> <td style="text-align: right;"><u>19.9</u></td> <td style="text-align: right;"><u>38.7</u></td> <td style="text-align: right;"><u>15.9</u></td> <td style="text-align: right;"><u>26.3</u></td> </tr> </tbody> </table> <p><u>Cash Flow Statement</u></p> <table border="1"> <thead> <tr> <th></th> <th style="text-align: center;"><b>53 weeks to 29 November 2020 Audited</b></th> <th style="text-align: center;"><b>52 weeks to 24 November 2019 Audited</b></th> <th style="text-align: center;"><b>26 weeks to 30 May 2021 Unaudited</b></th> <th style="text-align: center;"><b>26 weeks to 24 May 2020 Restated Unaudited</b></th> </tr> <tr> <th></th> <th style="text-align: center;"><b>£ million</b></th> <th style="text-align: center;"><b>£ million</b></th> <th style="text-align: center;"><b>£ million</b></th> <th style="text-align: center;"><b>£ million</b></th> </tr> </thead> <tbody> <tr> <td>Net cash flow from operating activities . . . . .</td> <td style="text-align: right;">49.0</td> <td style="text-align: right;">20.0</td> <td style="text-align: right;">5.0</td> <td style="text-align: right;">38.9</td> </tr> </tbody> </table> <p>Note: The Group has reclassified £2.5 million previously classed as Loans and borrowings to trade and other payables for the twenty six week period ended 24 May 2020.</p>		<b>53 weeks to 29 November 2020 Audited</b>	<b>52 weeks to 24 November 2019 Audited</b>	<b>26 weeks to 30 May 2021 Unaudited</b>	<b>26 weeks to 24 May 2020 Restated Unaudited</b>		<b>£ million</b>	<b>£ million</b>	<b>£ million</b>	<b>£million</b>	Revenue . . . . .	1,258.1	1,218.7	572.7	604.8	Operating profit/(loss) . . . . .	<u>12.3</u>	<u>(90.4)</u>	<u>2.3</u>	<u>7.6</u>	<b>Total comprehensive loss for the period . . . . .</b>	<b><u>(7.4)</u></b>	<b><u>(100.7)</u></b>	<b><u>(4.1)</u></b>	<b><u>(0.9)</u></b>		<b>29 November 2020 Audited</b>	<b>24 November 2019 Audited</b>	<b>30 May 2021 Unaudited</b>	<b>24 May 2020 Restated Unaudited</b>		<b>£ million</b>	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>	Total assets . . . . .	<u>562.3</u>	<u>410.2</u>	<u>546.0</u>	<u>626.3</u>	Total equity . . . . .	<u>19.9</u>	<u>38.7</u>	<u>15.9</u>	<u>26.3</u>		<b>53 weeks to 29 November 2020 Audited</b>	<b>52 weeks to 24 November 2019 Audited</b>	<b>26 weeks to 30 May 2021 Unaudited</b>	<b>26 weeks to 24 May 2020 Restated Unaudited</b>		<b>£ million</b>	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>	Net cash flow from operating activities . . . . .	49.0	20.0	5.0	38.9
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<i>Pro forma financial information</i>	Selected unaudited pro forma financial information which illustrates the effect on the consolidated net assets of the Group as if the Capital Raising had taken place on 30 May 2021 (and assuming that the Open Offer is taken up in full). The pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position.																																																												

<u>Note</u>	<u>Group as at 30 May 2021<sup>(1)</sup></u> £ million	<u>Adjustment for the Capital Raising<sup>(2)</sup></u> £ million	<u>Pro forma net assets of the Group</u> £ million						
<b>Assets</b>									
<b>Non-current assets</b>									
Property, plant and equipment . . . . .	232.0	—	232.0						
Intangible assets . . . . .	160.3	—	160.3						
Deferred tax assets . . . . .	5.4	—	5.4						
Retirement benefit asset . . . . .	9.9	—	9.9						
Trade and other receivables . . . . .	2.6	—	2.6						
<b>Total non-current assets . . . . .</b>	<b>410.2</b>	<b>—</b>	<b>410.2</b>						
<b>Current assets</b>									
Inventories . . . . .	74.9	—	74.9						
Trade and other receivables . . . . .	29.5	—	29.5						
Cash and cash equivalents . . . . .	31.4	32.7	64.1						
<b>Total current assets . . . . .</b>	<b>135.8</b>	<b>32.7</b>	<b>168.5</b>						
<b>Total assets . . . . .</b>	<b>546.0</b>	<b>—</b>	<b>578.7</b>						
<b>Current liabilities</b>									
Trade and other payables . . . . .	(186.6)	—	(186.6)						
Loans and borrowings . . . . .	(31.1)	—	(31.1)						
Provisions . . . . .	(0.7)	—	(0.7)						
<b>Total current liabilities . . . . .</b>	<b>(218.4)</b>	<b>—</b>	<b>(218.4)</b>						
<b>Net current liabilities . . . . .</b>	<b>(82.6)</b>	<b>32.7</b>	<b>(49.9)</b>						
<b>Non-current liabilities</b>									
Loans and borrowings . . . . .	(292.4)	—	(292.4)						
Other payables . . . . .	(5.2)	—	(5.2)						
Provisions . . . . .	(5.1)	—	(5.1)						
Deferred tax liabilities . . . . .	(5.4)	—	(5.4)						
Retirement benefit obligations . . . . .	(3.6)	—	(3.6)						
<b>Total non-current liabilities . . . . .</b>	<b>(311.7)</b>	<b>—</b>	<b>(311.7)</b>						
<b>Total liabilities . . . . .</b>	<b>(530.1)</b>	<b>—</b>	<b>(530.1)</b>						
<b>Net assets . . . . .</b>	<b>15.9</b>	<b>32.7</b>	<b>48.6</b>						
	<p>(1) The net assets of the Group at 30 May 2021 have been extracted without material adjustment from the Group's unaudited interim accounts for the twenty six weeks ended 30 May 2021.</p> <p>(2) The adjustment to reflect the impact of the Capital Raising (on the assumption that the maximum number of Open Offer Shares made available under the Open Offer are issued) is an increase in cash, being:</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 80%;">Gross proceeds; less . . . . .</td> <td style="width: 20%; text-align: right;">£35.0 million</td> </tr> <tr> <td>Fees, excluding VAT . . . . .</td> <td style="text-align: right;">£2.3 million</td> </tr> <tr> <td></td> <td style="text-align: right;">£32.7 million</td> </tr> </table> <p>(3) No account has been taken of the trading of the Group since 30 May 2021, nor any other event save as disclosed above.</p>			Gross proceeds; less . . . . .	£35.0 million	Fees, excluding VAT . . . . .	£2.3 million		£32.7 million
Gross proceeds; less . . . . .	£35.0 million								
Fees, excluding VAT . . . . .	£2.3 million								
	£32.7 million								
<i>Brief description of any qualifications in the audit report relating to the historical financial information</i>	Not applicable. There are no qualifications in the auditors' report on the historical information incorporated by reference into this document.								
<b>What are the key risks that are specific to the issuer?</b>									
<p>Prior to investing in the securities, prospective investors should consider the associated risks. The key risks specific to the Company are:</p> <ul style="list-style-type: none"> <li>• If the Firm Placing is not completed successfully and a 'reasonable worst case scenario' occurs, as per the Company's financial forecasts and sensitivities scenarios, and no other mitigating action was taken by the Company, the Company's liquidity headroom would fall to such a level that the Company will breach the financial covenants contained in its financing documents which would have a material adverse effect on the Group's business, financial condition and results of operations and could result in the Group being forced into bankruptcy or liquidation with Shareholders at risk of losing all or a substantial part of the value of their investment in the Company.</li> <li>• The COVID-19 pandemic has had, and is expected to continue to have, a significant impact on the Group's business, financial condition, results of operations and prospects.</li> </ul>									

- The Group is exposed to general UK economic conditions as well as general market trends in the areas in which it operates. Changes in general UK economic conditions and customer discretionary trends could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.
- Adverse developments with respect to the safety or the contents of the groceries that the Group sells and/or the grocery industry in general may damage the Group's reputation, increase its costs of operations or decrease demand for its products.
- The Group is reliant on a small number of key third party suppliers and may be negatively affected by supply chain disruptions, changes in supplier dynamics and interruptions in supply.

### Section 3—Key information on the securities

#### What are the main features of the securities?

##### *Type, class and ISIN*

The Capital Raising comprises in aggregate up to 175,000,000 new ordinary shares of £0.001 each in the capital of the Company (“**New Ordinary Shares**”) of which: (i) 150,000,000 New Ordinary Shares are proposed to be issued under a firm placing to a number of new and existing institutional and other investors (“**Firm Placing**”); and (ii) up to 25,000,000 New Ordinary Shares are proposed to be issued by way of an open offer to subscribe for the Open Offer Shares (the “**Open Offer**”) (the Firm Placing and Open Offer together the “**Capital Raising**”), in each case at an Offer Price of 20 pence per New Ordinary Share.

When admitted to trading, the New Ordinary Shares will be registered under the Company's existing ISIN: GB00BJ3VW957.

##### *Currency, denomination, par value, number of securities issued and duration*

The existing ordinary shares of the Company (“**Existing Ordinary Shares**”) are denominated and quoted in Pounds Sterling on the London Stock Exchange and the New Ordinary Shares will be traded and quoted in the same way. As at the Reference Date, the Company had 115,304,400 Existing Ordinary Shares of £0.001 each in issue (all of which were fully paid or credited as fully paid). The issued and fully paid aggregate nominal value of the share capital of the Company immediately following completion of the Capital Raising will be up to £290,304.40, comprising up to 290,304,400 New Ordinary Shares of £0.001 each.

##### *Rights attached to the New Ordinary Shares*

The New Ordinary Shares, when issued and fully paid, will rank *pari passu* in all respects with the Existing Ordinary Shares and will rank in full for all dividends and other distributions made, paid or declared in respect of the ordinary shares of £0.001 each in the capital of the Company (the “**Ordinary Shares**”) after their issue.

##### *Rank of securities in the issuer's capital structure in the event of insolvency*

On a winding up of the Company, the balance of the assets available for distribution, after deduction of any provision made under applicable law and subject to any special rights attaching to any class of Ordinary Shares, shall be applied in repaying to Shareholders the amounts paid up on the Ordinary Shares held by them and any surplus assets will belong to the holders of any Ordinary Shares then in issue according to the numbers of Ordinary Shares held by them or, if no Ordinary Shares are then in issue, to the holders of any unclassified shares then in issue according to the numbers of shares held by them. There are no special rights, restrictions or prohibitions as regards voting for the time being attached to any Ordinary Shares and there are no restrictions on the free transferability of the Ordinary Shares.

##### *Restrictions on the free transferability of the securities*

There are no restrictions on the free transferability of the Shares save as provided in the Articles.

##### *Dividend or pay-out policy*

Subject to the provisions of the Companies Act and the Articles, the Company may pay dividends upon a recommendation by the Board and approval by a majority of the Shareholders, who have the right to decrease but not to increase the amount of the dividend recommended by the Board. Such dividends are known as final dividends and become a debt payable to Shareholders when they are approved by the Shareholders. Subject to the provisions of the Companies Act and the Articles, the Board may declare and pay dividends without Shareholder approval. Such dividends are known as interim dividends and, unlike final dividends, become a debt payable to the Shareholders only upon actual payment.

The Board understands that dividend payments are an important part of the Group's returns to Shareholders and believes in balancing those returns to Shareholders with investment in the business to support future growth. However, the Board has not declared any dividend (final or interim) for FY 2020 or a final dividend for FY 2019 for reasons of affordability and because the Company is currently restricted from paying a dividend until certain conditions of its Amended Credit Facility are satisfied (including achieving Group leverage below 1.75 trailing EBITDA). The Board does not expect that the funds received by the Group pursuant to the Capital Raising will be sufficient to reduce leverage below 1.75 trailing EBITDA. The Board will keep the Group's dividend policy under review with the aim of reinstating the payment of dividends at an affordable and sustainable level once the Group's strategic change programme has gathered momentum and the Group has de-levered.

#### Where will the securities be traded?

Applications will be made for the New Ordinary Shares issued pursuant to the Capital Raising to be admitted to the premium listing segment of the Official List and to trading on the main market for listed securities of the London Stock Exchange.

#### What are the key risks that are specific to the securities?

Prior to investing in the New Ordinary Shares, prospective investors should consider the associated risks. The key risks specific to the New Ordinary Shares are:

- The market price for New Ordinary Shares issued pursuant to the Capital Raising may decline below the Offer Price.
- The market value of the New Ordinary Shares may fluctuate significantly as a result of factors beyond the Company's control, and may not always reflect the underlying asset value or prospects of the Company.
- Shareholder ownership percentages may be diluted in connection with the Capital Raising or as a result of issuances of Ordinary Shares that may occur in the future.
- Admission of the New Ordinary Shares issued pursuant to the Capital Raising may not occur when expected.
- There are limitations on the Company's ability to pay dividends.

#### Section 4—Key information on the offer of securities to the public and/or the admission to trading on a regulated market

##### Under which conditions and timetable can I invest in this security?

##### Terms and conditions of the Capital Raising

##### *Firm Placing*

The Company is seeking to raise £30 million (gross) through the Firm Placing of 150,000,000 New Ordinary Shares at the Offer Price to certain new and existing institutional and other investors. The Firm Placing is not subject to clawback.

##### *Open Offer*

The Company intends to raise up to £5 million (gross) through the Open Offer of up to 25,000,000 New Ordinary Shares at the Offer Price.

Subject to the fulfilment of the conditions below, holders of Existing Ordinary Shares on the register of members of the Company as at 10 August 2021 (the "**Record Date**") which are not Restricted Shareholders ("**Qualifying Shareholders**") are being given the opportunity to subscribe for New Ordinary Shares under the Open Offer ("**Open Offer Shares**") pro rata to their existing shareholdings on the basis of 3 Open Offer Shares for every 14 Existing Ordinary Shares held and registered in their name as at the Record Date. Fractions of Open Offer Shares will be disregarded in calculating Qualifying Shareholders' Open Offer Entitlements and each Qualifying Shareholder's entitlements to Open Offer Shares will be rounded down to the nearest whole number ("**Open Offer Entitlements**"). Qualifying Shareholders may also apply, under the Excess Application Facility, for Excess Shares not taken up under the Open Offer Entitlements of other Qualifying Shareholders.

The Capital Raising is conditional upon, amongst other things:

- the passing of all of the resolutions to be proposed at the general meeting of shareholders of the Company (the "**Resolutions**");
- the placing and sponsor agreement between the Company, Panmure Gordon and Singer Capital Markets (the "**Placing and Sponsor Agreement**") becoming or being declared unconditional (save in respect of Admission); and
- Admission becoming effective by no later than 8:00 a.m. on 6 September 2021 (or such later time and/or date as the Company, Panmure Gordon and Singer Capital Markets may determine).

Each of the Resolutions is conditional on all of the other Resolutions being passed because (a) all of the Resolutions are required to be passed in order for the Capital Raising to complete successfully; and (b) certain of the Resolutions, if passed, would not be effective to complete the Capital Raising unless certain other Resolutions are passed.

In the event that these conditions are not satisfied or waived (where capable of waiver), the Capital Raising will terminate and will not proceed. In such circumstances, application monies will be returned (at the applicant's risk) without payment of interest, as soon as practicable thereafter.

Pursuant to the terms and conditions of the Placing and Sponsor Agreement, the Joint Bookrunners have agreed to underwrite the settlement risk in the event that any Placees fail to take up their allocation of the New Ordinary Shares under the Firm Placing.

The New Ordinary Shares, when issued and fully paid, will rank pari passu in all respects with the Existing Ordinary Shares and will rank in full for all dividends and other distributions made, paid or declared in respect of the Ordinary Shares after their issue.

##### Expected timetable

Each of the times and dates set out in the expected timetable of principal events below and mentioned in this document, the Application Form and in any other document issued in connection with the Capital Raising are subject to change by the Company, in which event details of the new times and dates will be notified to the London Stock Exchange and, where appropriate, Qualifying Shareholders.

References to times in this document are to London time unless otherwise stated. The ability to participate in the Open Offer is subject to certain restrictions relating to shareholders with registered addresses or located or resident in countries outside the UK.

Record Date for entitlements under the Open Offer . . . . .	6.00 p.m. on Tuesday 10 August 2021
Announcement of the Capital Raising . . . . .	Thursday 12 August 2021
Announcement of the results of the Firm Placing . . . . .	Friday 13 August 2021
Publication and posting of the Prospectus, Form of Proxy and Application Form . . . . .	Friday 13 August 2021
Ex Entitlements Date for the Open Offer . . . . .	8.00 a.m. on Friday 13 August 2021
Open Offer Entitlements credited to stock accounts of Qualifying CREST Shareholders in CREST . . . . .	As soon as possible after 8.00 a.m. on Monday 16 August 2021
Recommended latest time for requesting withdrawal of Open Offer Entitlements from CREST (i.e. if your Open Offer Entitlements are in CREST and you wish to convert them to certificated form) . . . . .	4.30 p.m. on Monday 23 August 2021
Latest time and date for depositing Open Offer Entitlements into CREST . . . . .	3.00 p.m. on Tuesday 24 August 2021
Latest time and date for splitting of Application Forms (to satisfy bona fide market claims only) . . . . .	3.00 p.m. on Wednesday 25 August 2021
<b>Latest time and date for receipt of completed Application Forms and payment in full under the Open Offer or settlement of relevant CREST instruction (as appropriate) . . . . .</b>	<b>11.00 a.m. on Friday 27 August 2021</b>
Latest time and date for receipt of Forms of Proxy or electronic proxy appointments . . . . .	11.00 a.m. on Monday 30 August 2021
<b>General Meeting . . . . .</b>	<b>11.00 a.m. on Wednesday 1 September 2021</b>
Announcement of the results of the General Meeting . . . . .	Wednesday 1 September 2021
Admissions and commencement of dealings in New Ordinary Shares issued pursuant to the Capital Raising . . . . .	By 8.00 a.m. on Monday 6 September 2021
New Ordinary Shares credited to CREST accounts (uncertificated holders only) . . . . .	Soon after 8.00 a.m. on Monday 6 September 2021
Expected dispatch of definitive share certificates (where applicable) . . . . .	Within ten Business Days of Admission

#### Dilution

If a Qualifying Shareholder does not take up any of his Open Offer Entitlements, such Qualifying Shareholder's holding, as a percentage of the Enlarged Share Capital, will be diluted by approximately 60 per cent. pursuant to the Capital Raising (and assuming that the Open Offer is taken up in full).

If a Qualifying Shareholder does take up all of his Open Offer Entitlements, such Qualifying Shareholder's holding, as a percentage of the Enlarged Share Capital, will be diluted by approximately 52 per cent. pursuant to the Capital Raising (and assuming that the Open Offer is taken up in full).

Shareholders in the United States and certain other Excluded Territories will not be able to participate in the Open Offer.

#### Costs and expenses

The total estimated costs charges, and expenses payable by the Company in connection with the Capital Raising (and assuming the Open Offer is taken up in full) are approximately £2.3 million (excluding recoverable VAT). Investors will not be charged expenses by the Company in respect of the Capital Raising.

#### **Why is this prospectus being produced?**

The purpose of this document is to explain the background to, reasons for, and to set out the terms and conditions of, the Capital Raising and provide you with a notice of General Meeting to be held to consider and, if thought fit, to pass the Resolutions required to authorise the Company to carry out the Capital Raising. The Directors believe the Capital Raising to be in the best interests of Shareholders as a whole and this document explains why the Directors unanimously recommend that Shareholders should vote in favour of the Resolutions, as each Director has committed to do so, other than Jonathan Miller in respect of the Fourth Resolution, in respect of his or her own legal and beneficial holdings of Shares.

Pursuant to the Capital Raising, the Company proposes to issue up to 175,000,000 New Ordinary Shares. Through the Firm Placing, the Company is seeking to raise £30 million (gross) and through the Open Offer the Company intends to raise up to £5 million (gross) by the issue of New Ordinary Shares at the Offer Price. The total costs, charges and expenses payable by the Company in connection with the Capital Raising are estimated to be approximately £2.3 million (exclusive of VAT), which the Company intends to pay out of the proceeds of the Capital Raising.

The Firm Placing is being conducted by the Joint Bookrunners in accordance with the terms of the Placing and Sponsor Agreement. Pursuant to the terms and conditions of the Placing and Sponsor Agreement, the Joint Bookrunners have agreed to underwrite the settlement risk in the event that any Placees fail to take up their allocation of the New Ordinary Shares under the Firm Placing.

### Reasons for the Capital Raising

The Board is proposing the Capital Raising and intends to use the net proceeds of the Capital Raising:

- to increase the number, and accelerate the pace of rollout, of Morrisons Daily stores from 56 to 350 by the end of the financial year ending November 2022 (an increase of 50 stores against the Group's previous target of 300 stores by the end of December 2023);
- to improve the grocery infrastructure in the Morrisons Daily sites thus enhancing the standard of the refit and expanding the chilled offer with more refrigeration, adding further profit potential;
- to further invest in the store estate, including the potential to extend the rollout of Morrisons Daily beyond 350 stores, or reduce financial leverage of the Group; and
- to reduce the Group's financial leverage.

The quantum of the Firm Placing has been arrived at based on the cash requirement to support the investment and deleveraging objectives which assumes:

- that the cost of converting a store to Morrisons Daily, based on previous rollouts, is approximately £60,000 per store. In order to accelerate the rollout of Morrisons Daily stores from 56 to 350 by the end of the financial year ending November 2022 the Group will need access to approximately £10 million of incremental funding;
- that the cost of improving the grocery infrastructure in Morrisons Daily stores, based on previous rollouts, is approximately £30,000 per store. In order to meet the Group's ambition to fit out 350 stores in this way by the end of the financial year ending November 2022, the Group will need a further approximately £10 million of available funds; and
- that the balance of the net proceeds of the Firm Placing will be deployed in the best interests of the Group as a whole which, as at the date of this prospectus, the Board intends to use as follows, either: (i) to (together with the Group's existing resources) voluntarily prepay and cancel the Term Loan and/or Revolving Facility commitments in an aggregate amount of at least £10 million by late August 2022 or (ii) to further accelerate the rollout of Morrisons Daily stores. If the Group was to proceed with option (i) and to use the balance of proceeds of the Firm Placing (together with the Group's existing resources) to voluntarily prepay and cancel the Term Loan and/or Revolving Facility commitments in an aggregate amount of £10 million by late August 2022, an additional deferred arrangement fee would be reduced. The Board will explore its options in relation to any prepayment of up to £10 million received in the Firm Placing by the end of Q2 2022.

Any proceeds raised pursuant to the Open Offer will be deployed in the best interests of the Group as a whole which, as at the date of this prospectus, the Board intends to use to reduce the Group's financial leverage.

### Material interests

There are no interests, including any conflicting interests, known to the Company that are material to the Company or the Capital Raising.

## RISK FACTORS

*Any investment in the Company or the New Ordinary Shares is subject to a number of risks. Prior to investing in the New Ordinary Shares, prospective investors should review and consider this document carefully and, in its entirety, (together with the documents incorporated by reference into it) and consult with their professional advisers before acquiring any New Ordinary Shares. You should carefully consider the risks and uncertainties associated with any such investment, the Group's business, strategy and the industry in which it operates, together with all other information contained in this document including and the information incorporated into this document by reference, in particular, the risk factors described below. Prospective investors should note that the risks and uncertainties identified in the section of this document headed "Summary" are the risks and uncertainties that the Company believes to be the most essential to an assessment by a prospective investor of whether to consider an investment in the New Ordinary Shares. However, as the risks and uncertainties which the Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this document headed "Summary" but also, among other things, the risks and uncertainties described below.*

*The following is not an exhaustive list or explanation of all risks which prospective investors may face when making an investment in the Company or the New Ordinary Shares and should be used as guidance only. Additional risks and uncertainties relating to the Group that are not currently known to the Group, or that the Group currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Group's business, results of operations or financial condition and, if any such risk should materialise, the price of such securities may decline and investors could lose all or part of their investment. Prospective investors should carefully consider whether an investment in the New Ordinary Shares is suitable for them in the light of the information in this document and their personal circumstances.*

### **1. RISKS RELATED TO THE GROUP'S FINANCIAL SITUATION, BUSINESS AND INDUSTRY**

#### **1.1 If the Firm Placing is not completed successfully and a 'reasonable worst case scenario' occurs, as per the Company's financial forecasts and sensitivities scenarios, and no other mitigating action was taken by the Company, the Company's liquidity headroom would fall to such a level that the Company will breach the financial covenants contained in its financing documents which would have a material adverse effect on the Group's business, financial condition and results of operations and could result in the Group being forced into bankruptcy or liquidation with Shareholders at risk of losing all or a substantial part of the value of their investment in the Company**

In connection with the Capital Raising and as part of the Group's business planning, the Board has closely monitored the Group's financial forecasts, key uncertainties and sensitivities and has reviewed a number of scenarios, including base case and reasonable worst case downside scenarios. The base case and reasonable worst case downside scenarios reviewed by the Board include the minimum net proceeds of the Capital Raising which only includes the proceeds from the Firm Placing (which is underwritten) and does not include proceeds from the Open Offer.

If the Group's results over the relevant period were to be in line with the Company's current base case scenario, it would not be in breach of the financial covenants contained in its financing documents or have insufficient liquidity headroom at any point for the 12 month period following the date of this document, even if the Firm Placing does not proceed. The Company confirms that its outlook remains unchanged from that outlined in the interim results statement for the twenty six weeks to 30 May 2021.

However, if a reasonable worst case downside scenario were to occur and the Firm Placing were not to proceed, and no other mitigating action was able to be taken, then the Company's liquidity would be £8.9 million lower than the required level in its financing documents which will breach the financial covenants contained in such documents.

Under the reasonable worst case scenario, the Group would breach the Consolidated Net Debt to EBITDA ratio covenant for the testing period ending November 2021, as the Consolidated Net Debt to EBITDA ratio on that date is forecasted in those projections to exceed the 3.5 times multiple threshold which would also constitute an event of default under the terms of the Facilities Agreement. An event of default caused by a covenant breach would give the lenders the right to immediately withdraw and cancel the Group's facility and demand repayment of all outstanding drawings on the facility.

There can be no assurance that the reasonable worst case downside scenario will be avoided or that the Company's low levels of liquidity headroom will be sufficient in circumstances where the Company's

actual performance is below the reasonable worst case downside scenario projections. Furthermore, in this scenario there is no certainty that the Group would be able to obtain an alternate form of funding or effect a sale of the whole or part of the Group's business, on acceptable terms and within the relevant timescales. This would leave insufficient cash resources to repay the Group's lenders in the event that the Group's creditors accelerate the payment amounts owing to them and/or to continue trading. As a result, the Group could be forced into bankruptcy or liquidation, with Shareholders at risk of losing all or a substantial part of the value of their investments in the Company.

Furthermore, if the Firm Placing is not completed successfully then, absent alternative measures, the Group does not expect to capitalise on its strategy to increase the number of Morrisons Daily stores or increase the pace of the rollout of the Morrisons Daily stores. If the Group fails to meet the intended pace of its rollout of Morrisons Daily stores, it may create an opportunity for the Group's competitors to take market share in key convenience store locations which may have an adverse impact on the Group's growth prospects, profitability and results of operations.

The Group currently operates with significant levels of leverage. Such levels of leverage have and continue to inhibit the ability of the Group to invest in growth and to take advantage rapidly and effectively of new market opportunities. Absent a successful Firm Placing, the leverage ratio will continue to inhibit the Group's ability to invest in its store estate and to capitalise on various emerging opportunities, thereby having an adverse impact on the Group's growth prospects, profitability and results of operations.

### **1.2 The COVID-19 pandemic has had, and is expected to continue to have, a significant impact on the Group's business, financial condition, results of operations and prospects**

The national lockdowns associated with the COVID-19 pandemic have led to increased footfall to the Group's stores as customers work from home with strong like-for-like sales. However, the COVID-19 pandemic has resulted in a shift in sales to lower-margin take-home products and multi-packs, with consumers being less likely to spend money on one-off, discretionary higher margin items. If the sales product mix does not normalise it may mean that the Group's margins are slower to revert to their pre-COVID-19 pandemic levels, and there can be no guarantee these margins may recover in the wake of the COVID-19 pandemic. Such developments would have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

In addition, the COVID-19 pandemic has increased the operational risks and challenges faced by the Group, including the need to limit the number of customers in stores and to invest more heavily in creating a safe shopping environment for staff and customers. As a consequence, the Group has recorded an increase in operating costs since March 2020 and there can be no guarantee that such increased operating costs can be avoided in the future.

Furthermore, if the stay-at-home restrictions are re-introduced and social-distancing restrictions continue in their current form, or, if new restrictions are introduced to combat the spread of COVID-19 this is expected to continue to have a significant impact on the Group's margins and profitability as the Group expects that such restrictions would continue the trend of a shift towards lower-margin products and away from discretionary, higher-margin purchases.

### **1.3 The Group is exposed to general UK economic conditions as well as general market trends in the areas in which it operates. Changes in general UK economic conditions and customer discretionary trends could have a material adverse effect on the Group's business, financial condition, results of operations and prospects**

The entirety of the Group's revenue is generated within the United Kingdom. Consequently, any deterioration in consumer confidence, particularly in respect of the convenience and newsagent offerings which constitute the core of the Group's customer proposition, could affect spending levels and the cost of goods. In particular, consumer confidence may be linked to broader economic conditions such as inflation, currency fluctuation, interest rates, supply and demand of capital and industrial disruption. A general decline in economic conditions or disruptions in specific industries characterised by falls in consumer spending could have an adverse effect on the Group's business, prospects, results of operations, financial condition and prospects.

Furthermore, the COVID-19 pandemic has resulted in the acceleration of certain pre-existing trends (such as the move towards online retailing) that could undermine the Group's fundamental financial position. For example, the greater commonality of working from home during the COVID-19 pandemic,



whilst increasing the footfall in local convenience store locations, has been accompanied by reduced spending on discretionary spending such as impulse confectionery. The Directors believe that the Group's ability to deal with such a trend will depend on its ability to offer more high quality, better value, day-to-day grocery products within its convenience stores in order to prevent consumers defecting to other convenience outlets, discounters or larger supermarkets which may have more extensive, or better value, grocery product lines.

**1.4 Adverse developments with respect to the safety or the contents of the groceries that the Group sells and/or the grocery industry in general may damage the Group's reputation, increase its costs of operations or decrease demand for its products**

As a grocery retailer, the Group is subject to various regulations and laws in respect of the safety and contents of grocery products. Most notable in this regard is the proposed introduction of legislation by the UK Government to restrict the promotion of products which are high in fat, salt and sugar ("HFSS") in store entrances, aisle ends and checkouts for stores over 185.8 square metres (2,000 square feet) and in the equivalent locations in online marketplaces which is currently expected to come into force in April 2022. The Group currently has 228 stores which are 2,000 square feet or more. Typically, HFSS items are higher margin. If the regulations come into force they would likely affect the Group's existing sales of items such as confectionery and sugared drinks, reducing sales and ultimately having an adverse effect on the Group's business, prospects, results of operations and financial condition.

**1.5 Increases in the Group's operational cost base could impact the Group's profitability if it is unable to pass such cost increases on to its customers**

The Group has a high operational cost base and could experience higher operational costs should there be an increase in its operational costs which it is unable to pass on to its customers through higher prices. Such cost increases may be caused by an increase in any of the following: rent and business rates; the cost of energy (in running the Group's stores); the cost of fuel which would increase the cost of delivering products to the Group's stores; the cost of groceries (and the other products stocked by the Group); compliance costs resulting from changes in law, regulations or government policies; insurance premiums; payroll costs; and costs associated with maintaining safety precautions in relation to the COVID-19 pandemic. In addition, a rise in inflation would affect the Group generally by increasing the overall cost of operations. Although the general inflation rate in the UK has been low in recent years the rate has increased markedly with the Consumer Prices Index rising to 2.5% in the twelve months to June 2021.

In the event that operating costs increase without a corresponding rise in revenues the Group's profitability is likely to be adversely affected which would have a negative impact on the Group's business, prospects, results of operations and financial condition. In particular, if the Group increases the costs of its products it may lead to a reduction in the average basket size sold to its customers which is also expected to have a negative impact on the Group's revenue and profitability.

If the Group experiences an increase in its operational cost base which it is unable to pass on to its customers it would be likely to have an adverse impact on the Group's profitability, results of operations and financial performance.

**1.6 The Group operates in a competitive industry and new entrants continue to emerge, particularly in the online environment**

The Group operates in a competitive market. In the context of an increasing focus by consumers on quality groceries during the COVID-19 pandemic, the Group competes with a wide variety of retailers of varying sizes both locally and nationally, including multiples, supermarkets, co-operatives, discounters and independents. Certain of the Group's competitors, including supermarkets, have greater resources than the Group and may be able to offer products at lower prices. In addition, if a competitor adopts an aggressive expansion programme, and opens a significant number of stores in or near to the locations in which the Group's stores are located, the Group may experience reduced footfall in its stores which may ultimately lower the Group's revenues and profits. Failure by the Group to compete successfully with competitors on factors such as price, product range, quality, convenience, location and service could impact its future results and revenues.

In addition, the Group has experienced an increase in competition from online retailers since 2019 which often do not sustain a physical estate of stores and deliver convenience products directly to customers. A

rising number of online retailers can offer customers access to the Group's core product categories via the internet. More recently, the Group has also experienced competition from online convenience store aggregators such as Gorillas.

Despite the Group's current attempts to meet consumer demand for a grocery-led convenience offering and increasing online presence, there can be no assurance that it will be able to maintain its competitive position in the future. To remain competitive and to ensure that it does not lose market share to such new entrants, the Group may need to invest more heavily in product prices, promotional activity and further develop its online presence which may have an adverse impact of the Group's profitability, results of operations and financial condition.

#### **1.7 Failure by the Group to anticipate consumer trends and tastes correctly could have a material adverse effect on the Group's business**

The success of the Group's business depends in part on the Group's ability to identify and develop services in line with customer trends regarding consumer tastes, preferences and spending patterns. If the Group fails to predict such trends effectively, or is unable to source products and adjust purchases to match such trends, it may be unable to generate income from these new developments.

The Group may also accrue excess inventory which it may have to sell at reduced prices, which could have a material adverse effect on the Group's business, prospects, results of operations and financial condition. An example of a consumer trend which the Group will need to anticipate suitably is the possible fall in demand for tobacco products, which represented 33.4% of the Group's revenue for FY 2020 and which plays a significant role in driving customers to the Group's stores. Government legislation designed to restrict the attractiveness of tobacco purchases to the public and the increasing popularity of tobacco substitutes is expected to result in a continued decrease in tobacco popularity throughout the 2020s. Similarly, the introduction of restrictions around alcohol purchases such as minimum unit pricing may restrict the attractiveness of alcohol purchases to the public. This trend may result in decreased footfall at the Group's stores, a reduction in the average basket size and ultimately reduce revenues and profits for the Group.

#### **1.8 A failure to implement the Group's strategy may adversely affect its business**

In the context of the COVID-19 pandemic, the Group's current core strategy involves providing a leading convenience grocery proposition to customers, consolidating its store estate by disposing of unprofitable sub-scale sites and benefitting from the Morrisons brand by converting 350 McColl's-branded convenience stores into the 'Morrisons Daily' format.

The success of this core strategy will depend on several factors, including the pace at which the Group is able to rollout the Morrisons Daily stores, selection of appropriate, unprofitable sub-scale sites to sell and negotiating acceptable financial terms with prospective buyers of those sites. Against the backdrop of the COVID-19 pandemic when many stores have been forced to close and there has been a reduction in demand for commercial real estate, there is no guarantee that the Group will be able to find willing buyers and negotiate acceptable financial terms, meaning that the Group may be left with the cost of unprofitable sites of which it is unable to dispose. In addition, if the Group is unable to implement its strategy quickly then there is a risk that it will cede market share to its competitors who may be better placed to capitalise on prevalent market trends.

The Group is seeking to convert 350 McColl's branded convenience stores into the 'Morrisons Daily' format in order to bring Morrisons own-brand products to customers within a well-recognised Morrisons fascia. However, there is a risk the Group may be unable to convert its existing stores into this format or that following conversion the stores prove to be less profitable than is currently expected based on the performance of the limited number of pilot sites.

#### **1.9 The Group is reliant on the reputation of its brands, and damage to the image and reputation of the Group could adversely impact the Group's financial results and operations. Additionally, damage to the reputation of Morrisons could adversely affect the Group's business and future profitability**

The McColl's, Martin's and RS McColl brands are important assets of the Group's business. The Group is exposed to risks which could damage these brands, including complaints being made or litigation being initiated by customers, employees or other third parties, employee misconduct (including

fraudulent acts or the taking of bribes), safety or operational failures, adverse regulatory investigations, negative publicity or press speculation (including adverse social media commentary) and poor service.

In addition, adverse publicity about another operator in the Group's market may have a negative impact on the Group even though the Group is not (or has not been) directly involved. Due to the Group's partnership with Morrisons and increasing reliance on the 'Morrisons Daily' convenience store format, the Group is also at particular risk of Morrisons' own reputation becoming diminished in the public eye.

Failure to protect the Group's own brands or damage to the reputation of Morrisons could affect the Group's operations in a number of ways, ranging from—but not limited to—a loss of consumer confidence in the Group and consequently a loss of customers. Such effects may adversely impact partnerships with suppliers and the Group's ability to recruit and retain the best staff. All of these factors could in turn have a material adverse effect on the Group's business, prospects, results of operations and financial condition.

#### **1.10 The Group is reliant on a small number of key third party suppliers and may be negatively affected by supply chain disruptions and changes in supplier dynamics**

The Group is reliant on a small number of key third party suppliers such as Morrisons and is thus exposed to supply chain disruptions, changes in supplier dynamics and interruptions in supply all of which may adversely impact the Group's prospects and results of operations.

In relation to supply chain disruptions, the Group is also entirely reliant on third party suppliers to supply the Group's products by road, and is therefore exposed to the risks of traffic congestion, fuel shortages, roadworks and inclement weather (particularly snow), all of which could render deliveries from its suppliers difficult or even impossible. Furthermore, the Group has also experienced disruption in the supply of certain products for short periods of time following the UK's withdrawal from the European Union. If the supply of products to the Group's stores is interrupted or stopped, there could be a material adverse effect on the Group's business, prospects, results of operations and financial condition.

In relation to supplier dynamics, the Group has no warehousing and distribution operation of its own and relies on a limited number of suppliers for delivery of products to its stores, such as Morrisons, with whom the Group has entered into an exclusive supply agreement covering the vast majority of the Group's product range. Termination of the Group's agreement with Morrisons or the failure of Morrisons to comply with its obligations under that agreement could result in the interruption or loss of supply of core category products to the Group's stores. Furthermore, if Morrisons comes under new ownership or changes its strategy away from wholesale, the Group would need to find alternative suppliers at the expiry of the Morrisons supply contract in 2027. The Group maintains good relationships with other suppliers and has previously mitigated the effect of any disruption by obtaining supplies from alternative sources, however interruption or loss of supply from Morrisons could nevertheless have a material adverse effect on the Group's business, prospects, results of operations and financial condition.

#### **1.11 The Group relies on key third party suppliers to deliver outsourced services to the Group**

The Group outsources certain of its back-office services such as payroll and aspects of its information technology infrastructure and is thus reliant on such third party suppliers to deliver these services for the Group. If one or more key third party suppliers terminate their service agreements with the Group for any reason, the Group may not be able to source alternative suppliers, prior to expiry of the contractual notice period, with similar capabilities at a cost that is the same or lower than the Group currently pays. In addition, should the third party supplier become unable to perform the contracted service, the Group may:

- incur additional costs in order to deliver on its commitments to employees or to maintain its information technology in working order which may adversely impact the Group's profitability;
- be unable to pay staff on a timely basis leading to staff dissatisfaction and resignations coupled with reputational damage that may adversely affect customer footfall and sales;
- be unable to maintain a functioning information technology infrastructure leading to loss of sales or customer dissatisfaction which may adversely impact the Group's reputation and sales; and/or
- no longer be able to provide information to regulators, including tax authorities, that could lead to fines or penalties.

**1.12 If there is a shortage of delivery drivers available to work in connection with the Group's business, it may negatively impact the results of the Group's operations**

The Group is reliant on delivery drivers, and in particular lorry drivers, to deliver products to its stores for onward sale to the Group's end-customers. The UK is currently experiencing a shortage of suitably qualified lorry drivers which is commonly understood to be as a result of COVID-19 and Brexit. If the recent driver shortages in the UK continues, it may negatively impact the Group's ability to ensure adequate and timely delivery of products to its stores. This may lead to increased distribution costs for the Group which could have a material adverse effect on the Group's business, profitability, results of operations and financial conditions.

**1.13 Increases in the minimum wage and the availability of workers could increase staff costs**

Inflation affects the Group by increasing employee costs and the overall cost of operations. Although the general inflation rate in the UK has been low in recent years, the rate has increased markedly with the UK Consumer Prices Index rising to 2.5% in the 12 months to June 2021. Where increases in inflation are not offset by higher sales, there may be a negative impact on the Group's revenues.

A significant proportion of the Group's employees are paid the National Minimum Wage or the National Living Wage (depending on the age of employee), the latter of which was introduced in April 2016. In April 2021 the National Living Wage was increased with to £8.91 for adults who are 23 or over, £8.36 for adults who are between the ages of 21 and 22, £6.56 for adults between the ages of 18 and 20, £4.62 for colleagues under the age of 18 and £4.30 for apprentices.

Further increases in the National Minimum Wage or the National Living Wage, and other wages above inflation may impact the business, results of operations and financial condition of the Group. Such impacts may also result from the lack of availability of minimum wage workers in certain areas, which may be exacerbated by increasing restrictions placed on migration into the UK following the UK's departure from the European Union.

In addition, if the Group is unable to attract the sufficient number of staff in stores, or the Group's key suppliers are unable to attract a sufficient number of staff (such as delivery drivers), it may adversely impact the Group's ability to sell its products to its customers at competitive prices which may in turn have an adverse impact on the Group's profitability and results of operations.

**1.14 The Group's business may be impacted by weak sales during peak selling seasons**

The Group's convenience offerings, especially its food product ranges, enjoy their best sales periods during peak seasons including Christmas. However, the competition amongst grocery retailers at these times of years is particularly high, with heavy expenditure made in respect of marketing campaigns and extensive pricing promotions. Consequently, should the Group fail to appeal sufficiently to consumers at this time of year it would be likely to lose out to a greater extent than at other times of year in terms of market share and lost revenue. In turn, the profitability of the Group may be adversely affected, having a negative effect on the Group's business, prospects, results of operations and financial condition.

**1.15 The Group relies on a limited number of key personnel to operate its business, and the loss of any of these personnel or the Group's inability to attract new personnel could have a material adverse impact on the Group's business**

The Group's success is dependent upon the specialist skills of its Executive Directors plus other senior managers and personnel. The departure and/or loss of any of its Executive Directors or other senior managers or key personnel, and an inability to find a suitable replacement on a timely basis, could have a material adverse effect on the Group's business, prospects, results of operations and financial condition and there can be no assurance that the Group will be able to attract or retain suitable replacements for such roles. Furthermore, if any of the Group's Executive Directors or other senior managers or key personnel transfer to a competitor, this could have a material adverse effect on the Group's competitive position within the convenience sector.

In addition, the Group's ability to recruit, retain and motivate suitably qualified and experienced staff is important for the Group's ongoing success. There can be no assurance that the Group will be able to recruit and retain sufficient personnel of the right calibre or may incur significant costs in order to do so.

#### **1.16 The Group is exposed to fluctuations in the property market**

As at 30 May 2021, the Group had 1,222 trading stores and two offices (a Retail Support Centre in Brentwood, and finance support function in Stockport). Of these properties, two are held on a freehold basis and the remaining are held on a leasehold basis. The Group also sub-lets space, for example, in circumstances where the Group has leased an entire building (which may contain a residential unit or an adjoining commercial unit) it will, from time to time, lease that residential unit, or adjoining commercial unit, or where a unit has been let after a branch has closed and the assignment of the relevant lease has not been possible. As at 30 May 2021, the Group had 265 residential properties and 70 commercial properties which it sub-leases.

The leasehold estate is generally held with a five-year review pattern. On this basis almost all of the Group's leases will either be reviewed or will expire within the next five years. As at 30 May 2021, 612 leases have either expired (but the Group has remained in occupation i.e. held over), or, will expire before 30 May 2026. These leases will require renegotiation. In consequence of the Group's significant leasehold property portfolio, it is susceptible to changes in the property rental market such as increases in market rates which may affect the economic viability of certain of the Group's stores. In line with standard practice in the retail property market the rent review provision within the Group's leases are drawn on an upward only basis. Thus, the Group may find that its operational costs increase following these upcoming renegotiations in the event that the landlords can substantiate an increase in market rent levels above pre-review levels, under such leases. Whilst this holds true for lease renewals, these also provide an opportunity to reduce rents on leases where the market rental level has fallen behind the passing rent.

#### **1.17 Any breakdown or failure in the Group's information technology systems could result in a disruption in the Group's business and could have a material adverse effect on its results of operations**

The Group is highly dependent on the efficient and uninterrupted operation of its information technology systems. In particular, the Group's ability to maintain financial controls and provide the appropriate level of service to customers relies in part upon the continued functioning and technical support of management information systems, which encompasses computer systems and the EPOS system which records sale of goods to customers.

Such computer systems are vulnerable to damage or interruption from flood, fire power loss, telecommunications failure and similar events, in addition to sabotage, vandalism and similar misconduct. Any damage to, malfunction, breach or failure of the Group's systems could result in disruptions to the Group's financial controls and/or levels of customer service. Such disruption could have a material adverse effect on the Group's business, prospects, results of operations and financial condition.

#### **1.18 The Group is transitioning its core financial processing to new systems and updating its approaches to the measurement of costs. On completion of these processes, the changes in approach may result in material changes to the Group's financial results**

The Group is in the process of replacing its legacy financial system that has been in operation for more than two decades. In so doing, the Group is adopting new processes that the Group expects will improve the accuracy and timeliness of its financial information. However, should the implementation of the replacement system and associated processes not be successful, such expected benefits may not be realised. In addition, should the replacement system and associated processes change the basis for calculating financial figures, material differences may occur in those figures that could have a material adverse effect on the Group's results of operations and financial condition.

#### **1.19 Privacy breaches or any failure to protect customers' confidential information could harm the Group's reputation and expose it to litigation**

By virtue of the nature of the Group's business and the volume of customer transactions processed, the Group regularly transmits, receives and holds personal, confidential and proprietary information such as debit and credit card details and residential addresses. As a Group subject to various privacy and data protection laws (including the General Data Protection Regulation (Regulation (EU) 2016/679), as domesticated into UK law by the EUWA ("GDPR")), the Group must take appropriate steps to adhere to

the requirements of such legislation in respect of the processing, storage and transmission of such personal data.

In the event of any failure to adhere to these requirements, which might involve data breaches leading to such data being misappropriated or lost, the Group could face significant fines or regulatory action along with associated negative publicity. Such results may harm the Group's reputation, negatively affect turnover, reduce popularity of the Group among customers and lead to a material adverse effect on the Group's business, prospects, results of operations and financial condition.

#### **1.20 The Group is subject to laws and regulations with which it may be found to be non-compliant or, through the changing of, which the Group may otherwise be adversely affected**

The Group is subject to a significant number of legal and regulatory requirements, including in relation to employment, pensions, trading hours, health and safety, products and services (including alcohol licensing, food safety, labelling and health and safety) and environment and energy efficiency.

A breach by the Group of, or any change to, any of the above laws and regulations could have a materially adverse effect on the Group's operations and financial results through, for example, increased compliance costs, expenses, material fines and/or civil claims.

One example of forthcoming increased compliance costs is the proposed introduction of the Deposit Return Scheme in Scotland pursuant to which customers will pay a deposit of £0.20 when they buy a drink in a single-use container which is then refunded when they return the empty bottle or can. The Deposit Return Scheme is currently expected to be introduced in Scotland on 1 July 2022 and is likely to place an additional cost burden on the Group in order to comply with the scheme.

The Group is also subject to regulatory supervision in respect of consumer protection. UK regulators can conduct industry-wide investigations into certain products, selling practices or other aspects of the business of concerns regulated by those regulators. Such investigations can follow adverse publicity in respect of another participant in the same market as the Group, rather than any action or omission by the Group. Should a regulator determine that the Group has failed to comply with applicable laws, regulations or rules or has not taken requested corrective action, the impact would depend on the regulator and regulatory regime in question. Such inquiries could result in financial penalties, adverse publicity or negative public perceptions being suffered by the Group, affect its relationships with regulators, current and potential customers and suppliers, and divert management attention.

#### **1.21 The Group may suffer if taxation rates or laws change**

Changes in taxation rates or laws, misinterpretation of taxation law or a failure to manage adequately taxation risks may result in increased charges, financial loss (including penalties) and reputational damage. These outcomes may have an adverse effect on the Group's business, prospects and financial condition.

In particular, various products sold by the Group, including alcohol and tobacco, are subject to various forms of taxation including VAT and duty the level of which can be changed by the government at short notice. Future material changes in the level of taxes and duties levied on such products may have a significant adverse effect on the Group's revenues and profits.

Finally, the Group's profits are taxed according to UK taxation laws, with the Group's tax returns subject to regular review and examination. The Group cannot be certain that any taxation audit or dispute affecting the Group would result in a favourable outcome for the Group. There is a risk that such a dispute might result in additional taxes becoming payable by the Group, in addition to negative publicity and reputational damage. The imposition of substantial additional taxation liabilities and ancillary charges could be associate with such outcomes, serving to increase the Group's effective taxation rate.

#### **1.22 The actual or perceived sale of faulty or hazardous products by the Group could significantly impact customer trust and confidence**

The sale of food or other products involves the risk of injury to the Group's customers. The safety and quality, as well as freshness, of the Group's products is essential and the actual or perceived sale of contaminated food or other products by the Group could significantly impact customer trust and confidence. Even if any allegations or claims against the Group are unsuccessful or not fully pursued, the negative publicity surrounding any assertion that the products sold by the Group caused or could cause

illness or injury could adversely affect both the Group's reputation with existing and potential customers and the Group's corporate and brand image.

**1.23 The Group's agreement with Camelot is important in driving footfall to the Group's stores. If the agreement is terminated, or if Camelot's national lottery licence is not renewed without a suitable replacement being found, it could disrupt the Group's business and negatively impact the Group's results of operations**

National Lottery products are sold by all the Group's stores and these constitute key drivers of customer footfall. The Group's agreement with Camelot (under which the Group is authorised to sell National Lottery products from its stores) contains Camelot's standard set of terms and conditions. These terms and conditions include wide-ranging termination rights, including a right for Camelot to terminate the agreement upon a change of control of the Group, and a right for either party to terminate the agreement without cause at any time on 60 days' notice. There is a risk that Camelot may choose to exercise these rights to terminate the agreement prior to its term, and if it were to do so, there would likely be a reduction in footfall to the Group's stores which would be likely to have a negative impact on the Group's revenues and results of operations.

In addition, the Group could experience disruption to its business if Camelot fails in its bid to retain its role running the national lottery after the end of the current licence period which expires in 2024. Such disruption could be a result of a transition to a new provider, a reduction in the popularity of the national lottery as a result of the transition to a new provider or otherwise. Any significant disruption in the continuity of the Group's arrangements with Camelot and the National Lottery could adversely impact the Group's business, profitability and results of operations.

**1.24 The Group's income from manufacturers may not remain at current levels**

Separate to the Group's supply agreements, the Group enters into direct trading agreements with product manufacturers whose products are supplied to the Group by Morrisons. A significant proportion of the Group's gross profit is generated through income received from manufacturers through these trading agreements because the Group is able to negotiate discounts against the prices it pays to Morrisons and the Group is also able to obtain funding to support promotional price reductions. These trading arrangements typically have a duration of up to 12 months and there is a risk that such revenue may not remain at current levels if the Group is unable to successfully negotiate future agreements with manufacturers.

**1.25 Failure of the Post Office's systems may adversely affect the Group's financial results or lead to damage to the Group's reputation**

The Group is a major supplier of Post Office services to the public through its network of 516 stores as at 30 May 2021 that include a Post Office. As such, it uses Post Office systems in order to provide those services and any failure may lead to a loss of revenue and damage to the Group's reputation and loss of sales.

The Post Office has been involved in adverse publicity and reputational damage from its use of the Horizon information technology system to prosecute Post Office employees in relation to fraud. Thirty-nine convictions related to these prosecutions were over-turned in April 2021. In addition, between 2000 and 2014, the Post Office prosecuted more than 700 sub-postmasters, after an error in the computer system Horizon information technology system led to financial shortfalls in branch accounts. Should the Post Office allege fraud based on the Horizon information technology system in relation to the activities of any of the Group's employees, the Group may be exposed to additional costs in order to investigate these allegations and, where a prosecution is sought, may incur reputational damage in relation to its workforce that may adversely impact on recruitment or increase staff turnover. In addition, any prosecutions based on the Horizon information technology system may be difficult to investigate or defend given the nature of the issues with quality of data provided by the Horizon information technology system.

**1.26 The Group is exposed to funding risks in respect of its pension schemes**

The Group operates two defined benefit pension schemes, the TM Group Pension Scheme and the TM Pension Plan, both of which are now closed to future accrual. As at the period end date of 29 November 2020, total assets across both schemes had a value of £141.7 million with the combined accounting

surplus, including adjustments for Guaranteed Minimum Pension provision, decreasing from £7.9 million as at 24 November 2019 to £3.9 million as at 29 November 2020. The last actuarial review of the two schemes (concluded in June 2020) identified a combined funding deficit of £2.9 million as at 31 March 2019. As at 30 May 2021 being the date of the Group's interim results, total assets across both schemes had a value of £136.7 million.

The last completed triennial full actuarial valuation of the schemes was carried out as at 31 March 2019. Deficit repair contributions were agreed at £1.5 million per annum until 30 June 2022. From 1 July 2022, deficit contributions will increase to £1.75 million per annum. Whilst it is not the Group's present intention to declare a dividend prior to 1 July 2022, if for any reason this changes and the Group announces a dividend before 1 July 2022, the increase in the Group's deficit contributions to £1.75 million per annum will be triggered from such earlier date. Contributions will increase annually in line with the Retail Prices Index excluding mortgage interest (RPIX).

The pension schemes are subject to risks in relation to their liabilities as a result of changes in life expectancy, inflation and future salary increases, alongside volatility in the value of the underlying investments and the returns generated by those investments. A significant increase in the Group's contribution obligations regarding the schemes could have a materially adverse effect on the Group's results of operations and financial condition.

**1.27 Litigation and other adversarial actions (including legal, regulatory and similar proceedings) in the ordinary course of business could materially adversely affect the Group**

Save for litigation relating to Livingstone Consultancy Limited, whilst the Group is not currently subject to any other material litigation, it may be subject to such litigation in the future or to other proceedings by a regulatory or other authority. In addition, the Group may be subject to other disputes, claims and complaints, including adversarial actions, by customers, employees, suppliers, insurers and other individuals or entities in the ordinary course of business.

Significant claims or a substantial number of small claims may be expensive for the Group to defend, may divert the time and focus of management away from the Group's operations and may result in the Group having to pay monetary damages, any of which could have a material adverse effect on the Group's results of operations and financial condition. In addition, adverse legal publicity or substantial litigation against the Group could negatively affect its reputation, even if the Group is not found liable, which could also adversely affect the Group's business, prospects, results of operations and financial condition.

**1.28 The Group's risk management procedures may fail to identify or anticipate future risks**

Although the Directors believe that the Group's risk management procedures are adequate, the methods used to manage risk may not identify or anticipate current or future risks or the extent of future exposures, which could be significantly greater than historical measures indicate. In particular, the emergence of COVID-19 and the UK's departure from the European Union represent a set of risks (along with opportunities) which the Group will need to anticipate and address appropriately.

Risk management depends on the evaluation of information regarding markets or other matters that is publicly available or otherwise available to the Group. Any failure (or the perception that the Group has failed) to develop, implement and monitor suitable risk management policies and procedures and, when necessary, to pre-emptively upgrade them could make the Group liable to such risks and give rise to reputational and trading issues that could have a material adverse effect on the Group's business, prospects, results of operations and financial condition.

**1.29 If there is a change in ownership of Morrisons, there is no guarantee that Morrisons will seek to continue its relationship with the Group once the Group's contract with Morrisons expires in 2027 which may cause disruption to the Group and may negatively impact the Group's business and results of operations.**

Morrisons is currently the target of a takeover bid. Although it currently remains unclear as to whether the Morrisons group will be acquired by a third party, if Morrisons was to be sold, whilst Morrisons can't terminate the agreement unilaterally without cause, without compensation to the Group, there can be no guarantee that the new owners would seek to continue Morrisons's supply agreement with the Group when the term of the supply agreement expires on 1 January 2027. Furthermore, whilst a new owner of Morrisons may wish to keep supplying the Group, following the termination of the Group's



supply agreement with Morrisons, there can be no guarantee that a new owner would not seek to negotiate new terms which may be more onerous than the Group's current terms. The expiry of the Morrisons supply agreement, without renewal, may disrupt the Group's operations whilst it finds alternative suppliers and may lead to sunk costs should the Group need to re-convert its rollout of Morrisons Daily stores away from the Morrisons branding. This may negatively impact the Group's business, profitability and results of operations.

## **2. RISKS RELATING TO THE CAPITAL RAISING**

### **2.1 The market price for New Ordinary Shares issued pursuant to the Capital Raising may decline below the Offer Price**

The public trading market price of the New Ordinary Shares issued pursuant to the Capital Raising may decline below the Offer Price. Should that occur prior to the latest time and date for acceptance under the Open Offer, relevant Shareholders will suffer an immediate loss as a result. Moreover, Shareholders may be unable to sell the New Ordinary Shares at a price equal to or greater than the acquisition price for those shares. If the public trading market price of the New Ordinary Shares declines below the Offer Price, investors who have acquired any such New Ordinary Shares will likely suffer a loss as a result.

### **2.2 Shareholder ownership percentages may be diluted in connection with the Capital Raising or as a result of issuances of Ordinary Shares that may occur in the future**

If a Qualifying Shareholder does not take up any of his Open Offer Entitlements, such Qualifying Shareholder's holding, as a percentage of the Enlarged Share Capital, will be diluted by approximately 60 per cent. pursuant to the Capital Raising (assuming the Open Offer is taken up in full). If a Qualifying Shareholder does take up his Open Offer Entitlements in full, such Qualifying Shareholder's holding, as a percentage of the Enlarged Share Capital, will be diluted by approximately 52 per cent. pursuant to the Capital Raising (assuming the Open Offer is taken up in full).

For these purposes, any dilution which may result from the vesting or exercise of any awards under the Share Plans between the Reference Date and the Record Date has been disregarded.

In addition, although the Group has no current plans for an offering of its Ordinary Shares or of rights to subscribe for its Ordinary Shares other than in connection with the Capital Raising and the Share Plans, it is possible that the Group may decide to offer additional Ordinary Shares in the future. An additional offering of Ordinary Shares by the Group or significant grants of Ordinary Shares under employee share option schemes could dilute ownership and thereby have an adverse impact on the market price of outstanding Ordinary Shares.

### **2.3 Admission of the New Ordinary Shares issued pursuant to the Capital Raising may not occur when expected**

Application for Admission of the New Ordinary Shares issued pursuant to the Capital Raising is subject to the approval of the FCA. Admission will only become effective once a dealing notice has been issued by the FCA and the London Stock Exchange has acknowledged that the New Ordinary Shares issued pursuant to the Capital Raising will be admitted to trading. There can be no guarantee that the conditions for Admission will be met or that the FCA will issue a dealing notice.

### **2.4 Shareholders outside the United Kingdom may not be able to participate in the Capital Raising or future issues of Ordinary Shares**

Securities laws of certain jurisdictions, including Excluded Territories, may restrict the Company's ability to allow participation by shareholders in the Capital Raising. In particular, the Capital Raising will not be registered under the US Securities Act and therefore holders of Existing Ordinary Shares who are located in the United States may not be able to participate in the Capital Raising unless a registration statement under the US Securities Act is effective with respect to the New Ordinary Shares or an exemption from the registration requirements is available thereunder. Securities laws in certain other jurisdictions may restrict the Company's ability to allow participation by shareholders in such jurisdictions in the Capital Raising or any future issued of shares carried out by the Company. Qualifying Shareholders who have a registered address in or who are resident in, or who are citizens of, countries other than the UK, should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to receive New Ordinary Shares.

### **3. RISKS RELATED TO THE NATURE OF THE SECURITIES**

#### **3.1 The market value of the Ordinary Shares may fluctuate significantly as a result of factors beyond the Company's control and may not always reflect the underlying asset value or prospects of the Company**

The market price of the New Ordinary Shares and/or the Ordinary Shares could be volatile and subject to significant fluctuations due to a variety of factors, including:

- (a) the market's perception of the likelihood of completion of the Capital Raising;
- (b) any industry sector changes affecting the operations of the Group;
- (c) variations in the operating and financial results of the Group;
- (d) changes to the taxation and/or regulatory environment in which the Group operates;
- (e) business developments of the Group and/or its competitors;
- (f) involvement of the Group in litigation;
- (g) future issues or sales of shares;
- (h) the operating and share price performance of other companies in the industries and markets in which the Group operates; or
- (i) speculation about the Group's business in the press, media or the investment community.

Changes in the political and economic climate may also cause volatility and significant fluctuations in the market. Stock markets have, from time to time, experienced significant price and volume fluctuations that have affected the market prices for securities, and which may be unrelated to the Group's operating performance or prospects. Furthermore, the Group's business, prospects, financial condition and/or results of operations, or the underlying value of the Group's assets, from time to time may be below the expectations of market analysts and investors.

Any of these events could result in a decline in the market price of the New Ordinary Shares and/or the Ordinary Shares.

#### **3.2 There are limitations on the Company's ability to pay dividends**

Under English company law, a company can only pay cash dividends to the extent that it has distributable reserves and cash available for this purpose. The Company's ability to pay cash dividends in the future is affected by a number of factors including underlying growth in the Group's business and the Company's ability to receive sufficient dividends from subsidiaries. The payment of dividends to the Company by its subsidiaries is, in turn, subject to restrictions, including certain regulatory requirements and the existence of sufficient distributable reserves and cash in the Company's subsidiaries.

Indeed, whilst the Board understands that dividend payments are an important part of the Group's returns to Shareholders, the Board has not declared any dividend (final or interim) for FY 2020 or a final dividend for FY 2019. This decision was taken for reasons of affordability and because the Company is currently restricted from paying a dividend until certain conditions of its Amended Credit Facility are satisfied (including achieving Group leverage below 1.75 trailing EBITDA). The Board does not expect that the funds received by the Group pursuant to the Capital Raising will be solely sufficient to reduce the leverage below 1.75 trailing EBITDA. The Board will keep the Group's dividend policy under review with the aim of reinstating the payment of dividends at an affordable and sustainable level once the Group's strategic change programme has gathered momentum and the Group has de-levered.

#### **3.3 Overseas Shareholders may have fewer rights than they would as UK Shareholders or as shareholders of companies organised in their local jurisdiction**

The ability of an Overseas Shareholder to bring an action against the Company may be limited under law. The Company is a public limited company incorporated in England and Wales. The rights of holders of Ordinary Shares are governed by English law and by the Company's Articles of Association. These rights differ from the rights of shareholders in typical US corporations and some other non-UK corporations. In particular, English law significantly limits the circumstances under which shareholders of companies may bring derivative actions. Under such law generally, only a company can be the proper pursuer or claimant in proceedings in respect of wrongful acts committed against it. In addition, it may

be difficult for an Overseas Shareholder to prevail in a claim against the Company under, or to enforce liabilities predicated upon, non-UK securities laws.

An Overseas Shareholder may not be able to enforce a judgment against some or all of the Directors of the Company. All of the Directors and executive officers of the Company are residents of the UK. Consequently, it may not be possible for an Overseas Shareholder to effect service of process upon the Directors of the Company within the Overseas Shareholder's country of residence or to enforce against the Directors judgments of courts of the Overseas Shareholder's country of residence based on civil liabilities under that country's securities laws. There can be no assurance that an Overseas Shareholder will be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than the UK against the Directors of the Company who are residents of the UK or countries other than those in which judgment is made. In addition, English or other courts may not impose civil liability on the Directors in any original action based solely on the foreign securities laws brought against the Company or the Directors or executive officers in a court of competent jurisdiction in England or other countries.

### **3.4 Holders of the Ordinary Shares in certain jurisdictions, including the United States, may not be able to exercise their pre-emptive rights or participate in future equity offerings if the Group increases its share capital**

A holder of Ordinary Shares generally has the right to subscribe and pay for a sufficient number of Ordinary Shares to maintain its relative ownership percentage prior to the issuance of any new Ordinary Shares to another person. US holders of Ordinary Shares may not be able to exercise their pre-emptive rights unless a registration statement under the US Securities Act is effective with respect to such rights and the related Ordinary Shares or an exemption from the registration requirements of the US Securities Act is available. Similar restrictions exist in certain other jurisdictions.

The Group does not intend to register the Ordinary Shares under the US Securities Act or the laws of any other jurisdiction, and no assurance can be given that an exemption from the registration requirements will be available to the Company for transactions with US or other holders of Ordinary Shares or, if available, that the Company will use it. To the extent that US or other holders of Ordinary Shares are not able to exercise their pre-emptive rights, the pre-emptive rights would lapse and their proportional interests in the Company would be reduced.

### **3.5 Shareholders may be subject to exchange rate risks**

The New Ordinary Shares are priced in Pounds Sterling and will be quoted and traded in Pounds Sterling. In addition, any dividends the Company may pay will be declared and paid in Pounds Sterling. Accordingly, Shareholders resident in non-UK jurisdictions are subject to risks arising from adverse movements in the value of their local currencies against the Pounds Sterling, which may reduce the value of the New Ordinary Shares, as well as that of any dividends paid.

## CAPITAL RAISING STATISTICS

Closing Price of the Existing Ordinary Shares <sup>(1)</sup> . . . . .	29 pence
Offer Price per New Ordinary Share . . . . .	20 pence
Discount of Offer Price to Closing Price <sup>(1)</sup> . . . . .	31.03 per cent.
Number of Existing Ordinary Shares . . . . .	115,304,400
Number of New Ordinary Shares to be issued pursuant to the Capital Raising <sup>(2)</sup> . . . . .	175,000,000
Number of New Ordinary Shares to be issued pursuant to the Firm Placing . . . . .	150,000,000
Maximum number of New Ordinary Shares to be issued pursuant to the Open Offer . . . . .	25,000,000
Number of Ordinary Shares in issue immediately following the Capital Raising <sup>(2)(3)</sup> . . . . .	290,304,400
Firm Placing Shares as a percentage of the Enlarged Share Capital following completion of the Capital Raising <sup>(2)(3)</sup> . . . . .	51.7 per cent.
Open Offer Shares as a percentage of the Enlarged Share Capital following completion of the Capital Raising <sup>(2)(3)</sup> . . . . .	8.6 per cent.
New Ordinary Shares as a percentage of the Enlarged Share Capital following completion of the Capital Raising <sup>(2)(3)</sup> . . . . .	60.3 per cent.
Gross proceeds of the Capital Raising (approximately) <sup>(2)</sup> . . . . .	£35.0 million
Estimated net proceeds of the Capital Raising (approximately) <sup>(2)</sup> . . . . .	£32.7 million

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**Notes:**

- (1) The Closing Price on the London Stock Exchange on 11 August 2021 being the last Business Day prior to the announcement of the Capital Raising
- (2) On the assumption that the maximum number of Open Offer Shares made available under the Open Offer are issued.
- (3) On the assumption that no further Ordinary Shares are issued from the date of this document until completion of the Capital Raising other than the New Ordinary Shares. The actual number of New Ordinary Shares may be subject to rounding to eliminate fractions.

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Each of the times and dates in the table below is indicative only and may be subject to change. Please read the notes to this timetable set out below.

Record Date for entitlements under the Open Offer . . . . .	6.00 p.m. on Tuesday 10 August 2021
Announcement of the Capital Raising . . . . .	Thursday 12 August 2021
Announcement of the results of the Firm Placing . . . . .	Friday 13 August 2021
Publication and posting of the Prospectus, Form of Proxy and Application Form . . . . .	Friday 13 August 2021
Ex Entitlements Date for the Open Offer . . . . .	8.00 a.m. on Friday 13 August 2021
Open Offer Entitlements credited to stock accounts of Qualifying CREST Shareholders in CREST . . . . .	As soon as possible after 8.00 a.m. on Monday 16 August 2021
Recommended latest time for requesting withdrawal of Open Offer Entitlements from CREST (i.e. if your Open Offer Entitlements are in CREST and you wish to convert them to certificated form)	4.30 p.m. on Monday 23 August 2021
Latest time and date for depositing Open Offer Entitlements into CREST . . . . .	3.00 p.m. on Tuesday 24 August 2021
Latest time and date for splitting of Application Forms (to satisfy bona fide market claims only) . . . . .	3.00 p.m. on Wednesday 25 August 2021
<b>Latest time and date for receipt of completed Application Forms and payment in full under the Open Offer or settlement of relevant CREST instruction (as appropriate) . . . . .</b>	<b>11.00 a.m. on Friday 27 August 2021</b>
Latest time and date for receipt of Forms of Proxy or electronic proxy appointments . . . . .	11.00 a.m. on Monday 30 August 2021
<b>General Meeting . . . . .</b>	<b>11.00 a.m. on Wednesday 1 September 2021</b>
Announcement of the results of the General Meeting . . . . .	Wednesday 1 September 2021
Admissions and commencement of dealings in New Ordinary Shares issued pursuant to the Capital Raising . . . . .	By 8.00 a.m. on Monday 6 September 2021
New Ordinary Shares credited to CREST accounts (uncertificated holders only) . . . . .	Soon after 8.00 a.m. on Monday 6 September 2021
Expected dispatch of definitive share certificates (where applicable)	Within ten Business Days of Admission

**Notes:**

- (1) Each of the times and dates set out in the above timetable and mentioned in this document, the Application Form and in any other document issued in connection with the Capital Raising is subject to change by the Company (with the agreement of the Joint Bookrunners in certain circumstances), in which event details of the new times and dates will be notified to the FCA, the London Stock Exchange and, where appropriate, to Shareholders.
- (2) Any reference to a time in this document is to London time, unless otherwise specified.
- (3) The ability to participate in the Open Offer is subject to certain restrictions relating to Shareholders with registered addresses or located or resident in countries outside the UK, details of which are set out in Part IV (*Terms and Conditions of the Open Offer*) of this document.

## IMPORTANT INFORMATION

### Notice to prospective investors

Panmure Gordon has been appointed as sponsor, joint broker, and joint bookrunner in connection with the Capital Raising, the publication of this document and the Related Party Transactions. Singer Capital Markets has been appointed as joint broker and joint bookrunner in connection with the Capital Raising. Panmure Gordon, which is authorised and regulated by the FCA in the United Kingdom, and Singer Capital Markets (which is authorised and regulated by the FCA in the United Kingdom) are acting exclusively for the Company and no one else in connection with the Capital Raising, will not regard any other person (whether or not a recipient of this document) as a client in relation to the Capital Raising, and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients or for providing advice in relation to the Capital Raising or any other matter referred to herein.

Apart from the responsibilities and liabilities, if any, which may be imposed on the Joint Bookrunners by FSMA or the regulatory regime established thereunder, none of the Joint Bookrunners nor any of their respective affiliates accepts any responsibility whatsoever or makes any representation or warranty, express or implied, to any person in respect of any acts or omissions of the Company in relation to the Capital Raising, or for the contents of this document including its accuracy, completeness, sufficiency or verification or for any other statement made or purported to be made by or on behalf of it, the Company or the Directors in connection with the Company, the New Ordinary Shares or the Capital Raising and other matters referred to in this document and nothing in this document is or shall be read as a promise or representation in this respect whether as to the past or future. Each of the Joint Bookrunners accordingly disclaims all and any liability whatsoever whether arising in tort, contract or otherwise (save as referred to above) which it might otherwise have in respect of the Capital Raising or this document or any such statement.

Prospective investors also acknowledge that: (i) they have not relied on any of the Joint Bookrunners nor any person affiliated with any of them in connection with any investigation of the accuracy of any information contained in this document or their investment decision; and (ii) they have relied only on the information contained in this document and the information incorporated by reference into this document, and that no person has been authorised to give any information or to make any representation concerning the Company or its subsidiaries or the New 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 the Company or any of the Joint Bookrunners.

This document is not intended to provide the basis of any investigation evaluation and should not be considered as a recommendation by any of the Company, Panmure Gordon, Singer Capital Markets or any of their respective affiliates that any recipient of this document should purchase the New Ordinary Shares.

In connection with the Capital Raising, the Joint Bookrunners and any of their respective affiliates acting as investors for their own accounts may subscribe for or purchase New Ordinary Shares as a principal position and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in the New Ordinary Shares, any other securities of the Company or other related investments in connection with the Capital Raising or otherwise.

Accordingly, references in this document to the New Ordinary Shares being issued, subscribed, sold, purchased or otherwise dealt with should be read as including any issue, offer or sale to, or subscription, purchase or dealing by, any of the Joint Bookrunners and any of their respective affiliates acting as an investor for its or their own account(s). In addition, Panmure Gordon, Singer Capital Markets and each of their respective affiliates may enter into financing arrangements (including swaps or contracts for difference) with investors in connection with which they may from time to time acquire, hold or dispose of New Ordinary Shares. Neither Panmure Gordon nor Singer Capital Markets intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Each of Panmure Gordon, Singer Capital Markets and their respective affiliates may have engaged in transactions with, and provided various commercial banking, investment banking, financial advisory transactions and services in the ordinary course of their business with the Company and/or its affiliates for which they would have received customary fees and commissions. Each of Panmure Gordon, Singer Capital Markets and their respective affiliates may provide such services to the Company and/or its affiliates in the future.

In the ordinary course of their various business activities, each of Panmure Gordon, Singer Capital Markets and their respective affiliates may hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default

swaps) in the Company and its respective affiliates for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments.

This document, including the Application Form, does not constitute, or will not constitute, or does not form part of any offer or invitation to sell or issue, or any solicitation of any offer to subscribe for, purchase or acquire the New Ordinary Shares to any Shareholder with a registered address in or located in the United States.

### **Forward-looking statements**

This document contains or incorporates by reference forward-looking statements which are based on the beliefs, expectations and assumptions of the Directors and other members of senior management about the Group's businesses and the Capital Raising. All statements other than statements of historical fact included in this document may be forward-looking statements. Generally, words such as "will", "may", "should", "could", "estimates", "continue", "believes", "expects", "aims", "targets", "projects", "intends", "anticipates", "plans", "prepares", "seeks" or, in each case, their negative or other variations or similar or comparable expressions identify forward-looking statements.

These forward-looking statements are not guarantees of future performance, and there can be no assurance that the expectations reflected in such forward-looking statements will prove to have been correct. Rather, they are based on the current beliefs, expectations and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of the Company and are difficult to predict, that may cause actual results, performance, plans, objectives, achievements or events to differ materially from those express or implied in such forward-looking statements. Undue reliance should, therefore, not be placed on such forward-looking statements. Any forward-looking statements contained in this document are subject to (among other things) the risk factors described in the "Risk Factors" section of this document.

New factors will emerge in the future, and it is not possible to predict which factors they will be. In addition, the impact of each factor on the Group's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those described in any forward-looking statement or statements cannot be assessed, and no assurance can therefore be provided that assumptions will prove correct or that expectations and beliefs will be achieved.

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

Each forward-looking statement speaks only as at the date of this document and is not intended to give any assurance as to future results. The Company and/or its Directors expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein as a result of new information, future events or other information, except to the extent required by the Listing Rules, the Disclosure Guidance and Transparency Rules, the UK Prospectus Regulation, the Prospectus Regulation Rules, the UK Market Abuse Regulation, the rules of the London Stock Exchange or by applicable law.

The contents of the sections of this document relating to forward-looking statements in no way seek to qualify or negate the statement relating to the Group's working capital set out in paragraph 11 Part X (*Additional Information*) of this document.

### **Presentation of financial and other information**

The Company publishes its financial statements in Pounds Sterling. The abbreviation "£m" represents millions of Pounds Sterling and references to "pence" and "p" represent pence in the UK.

Unless otherwise indicated in this document, all references to:

1. "Pounds Sterling", "£", "pence", or "p" are to the lawful currency of the United Kingdom; and
2. "Euro" and "€" are to the lawful currency of the EU (as adopted by certain member states of the EU).

The financial information presented in a number of tables in this document has been rounded to the nearest whole number or the nearest decimal point. Therefore, the sum of the numbers in a column may not conform exactly to the total figure given for that column. In addition, certain percentages presented in the tables in this document reflect calculations based upon the underlying information prior to rounding and, accordingly, may

not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

Where information has been extracted from the Company's applicable annual report and accounts, the information is audited unless otherwise stated. Where the information is unaudited, this has been stated.

The financial information for FY 2020, FY 2019, and FY 2018 and the Group's unaudited interim accounts for the twenty six weeks ended 30 May 2021 were prepared in accordance with IFRS, IFRS interpretations and the Companies Act applicable to companies reporting under IFRS.

### **Alternative performance measures and other non-IFRS financial data**

Parts of this document, including this section (*Important Information*), contain information regarding alternative performance measures, including adjusted profit before tax, headline profit before tax, headline diluted earnings per share, cash conversion, net debt to adjusted EBITDA, return on capital employed and such other non-IFRS financial data, which are sometimes used by investors to evaluate the performance of a company's operations. An investor should not consider such items as alternatives to the applicable IFRS measures. In particular, an investor should not consider adjusted profit before tax as a measurement of the Group's financial performance or liquidity under IFRS as an alternative to net income, operating income or any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating activities as a measure of the Company's activity. It may not therefore be comparable with similarly titled profit measurements reported by other companies. It is not intended to be a substitute for IFRS measures of profit.

The non-IFRS measure used by the Group is:

Adjusted EBITDA excluding property-related items and share-based payments. Adjusting items relate to costs or incomes that derive from events or transactions that fall within the normal activities of the Group, but which are excluded from the Group's adjusted profit before tax measure due to their size and nature in order to better reflect management's view of the performance of the Group. The Group also adjusts for share-based payments as a non cash item. The adjusted profit before tax measure (profit before adjusting items) is not a recognised profit measure under IFRS and may not be directly comparable with adjusted profit measures used by other companies.

The Group believes that this alternative performance measures and other non-IFRS financial data, which are not considered to be a substitute for or superior to IFRS measures, provide investors with additional helpful information on the performance of the Group's business. The Group uses such measures to assess operating performance and liquidity, in presentation to the Board and as a basis for strategic planning and forecasting, as well as monitoring certain aspects of its operating cash flow and liquidity. The Directors believe that these and similar measures are used widely by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity and provide a more comparable set of results year-on-year in line with similar adjusted measures used by the Group's peer companies and therefore facilitate comparison across the industry.

These alternative performance measures should be viewed as supplemental to, but not as a substitute for, measures presented in the consolidated financial information relating to the Group, which are prepared in accordance with IFRS. The Group believes that these alternative performance measures are useful indicators of its performance. However, they may not be comparable to similarly-titled measures reported by other companies due to differences in the way they are calculated.

### **Definitions**

Certain terms used in this document, including capitalised terms and certain technical terms, are defined and explained in Appendix I (*Definitions*) of this document. Reference to any statute or statutory provision includes a reference to that statute or statutory provision as from time to time amended, extended or re-enacted.

### **Website**

The contents of the Company's website or of any website accessible via hyperlinks from the Company's website are not incorporated into, and do not form part of, this document and investors should not rely on them, without prejudice to the documents incorporated by reference into this document which will be made available on the Company's website ([www.mccollsplc.co.uk](http://www.mccollsplc.co.uk)).



## **Sourcing of Information**

Certain information in this document has been sourced from third parties. Where information in this document has been sourced from third parties, the source of such information has been clearly stated adjacent to the reproduced information.

All information contained in this document which has been sourced from third parties has been accurately reproduced and, as 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.

Unless otherwise indicated, all sources for industry data and statistics are estimates or forecasts contained in or derived from internal or industry sources that the Company believes to be reliable. Market data used throughout this document was obtained from independent experts, independent industry publications and other publicly available information. Although the Company believes that these sources are reliable, it has not independently verified and does not guarantee the accuracy and completeness of this information.

Market data and statistics are inherently predictive and speculative and are not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgements by both the researchers and the respondents, including judgements about what types of products and transactions should be included in the relevant market. In addition, the value of comparisons of statistics for different markets is limited by many factors, including that: (i) the markets are defined differently; (ii) the underlying information was gathered by different methods; and (iii) different assumptions were applied in compiling the data. Accordingly, the market statistics included in this document should be viewed with caution and no representation or warranty is given by any person as to their accuracy.

## **Presentation of market and industry data**

The following terms have specific meanings when used in relation to the retail market in which the Group operates and these terms are used throughout this prospectus. The meanings of these terms are described below:

- the expression “average basket size” means the average amount spent by a customer at a point of sale on a single visit;
- the terms “co-ops” and “co-operatives” mean groups of stores that are owned by their members, the largest being The Co-operative Group, but there are a number of smaller co-operative societies operating convenience stores and the range of retail outlets around the country such as The Midcounties Co-operative;
- the term “convenience stores” refers to the Premium Convenience stores, Standard Convenience stores and Food and Wine stores operated by the Group;
- the term “discounters” refers to discount Supermarkets such as Lidl and Aldi
- the term “food and wine stores” refers to smaller convenience stores operated by the Group that have been converted from the Group’s Newsagents and which stock a focused range of grocery and alcohol;
- the term “forecourt” refers to convenience stores located in petrol station forecourts;
- the term “independents” refers to stores which are unaffiliated independents that are typically operated by the store owner;
- the term ‘Morrisons Daily’ refers to the brand name of the convenience stores owned by Morrisons;
- the term “multiples” refers to retail businesses operating chains of 10 or more convenience stores under a centrally-owned fascia include convenience specialists such as McColl’s and One Stop as well as supermarket based chains such as Sainsbury’s Local and Tesco Express;
- the term “newsagent” refers to the newsagents operated by the Group;
- the term “supermarket” refers to stores which are over 3,000 sq. ft in size and stock a wide range of general food and grocery categories; and
- the term “symbols” refers to groups usually organised by a wholesaler that are made up principally of independent businesses which collaborate in joint buying and marketing initiatives. Well known examples of symbols include SPAR, Nisa, Costcutter, Londis, Mace, Premier and Bestway.

## **WHERE TO FIND HELP**

If you have any questions relating to the Capital Raising, please telephone the Shareholder Helpline on the numbers set out below. This Helpline is available from 08.30 to 17.00 (UK time) Monday to Friday (excluding English and Welsh public holidays) and will remain open until Friday 20 August 2021.

### **Shareholder Helpline telephone numbers:**

**0333-207-6534 (from inside the UK) or +44 333-207-6534 (from outside the UK)**

Calls to the Shareholder Helpline number from outside the UK are charged at applicable international rates. Please note that calls may be recorded and randomly monitored for security and training purposes.

*Please note that, for legal reasons, the Shareholder Helpline will only be able to provide information contained in this document and information relating to the Company's register of members and will be unable to give advice on the merits of the Capital Raising or to provide financial, tax or investment advice.*

## DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors . . . . .	Angus Porter, <i>Chairman</i> Jonathan Miller, <i>Chief Executive Officer</i> Giles David, <i>Chief Financial Officer</i> Richard Crampton, <i>Chief Commercial Officer</i> Georgina Harvey, <i>Senior Independent Director</i> Jens Hofma, <i>Non-Executive Director</i> Dominic Lavelle, <i>Non-Executive Director</i> Benedict Smith, <i>Non-Executive Director</i>
Company Secretary . . . . .	Rachel Peat
Registered Office . . . . .	McColl's Retail Group plc Ground Floor West One London Road Brentwood, Essex CM14 4QW
Sponsor, Joint Broker and Joint Bookrunner . . . . .	Panmure Gordon (UK) Limited One New Change London EC4M 9AF
Joint Broker and Joint Bookrunner . . . . .	Singer Capital Markets Securities Limited 1 Bartholomew Lane London EC2N 2AX
Legal Advisers to the Company . . . . .	Travers Smith LLP 10 Snow Hill London EC1A 2AL
Legal Advisers to the Sponsor, Joint Brokers and the Joint Bookrunners . . . . .	Stephenson Harwood LLP 1 Finsbury Circus London EC2M 7SH
Auditors and Reporting Accountant . . . . .	BDO LLP 3 Hardman Street Spinningfields Manchester M3 3AT
Registrar and Receiving Agent . . . . .	Equiniti Limited Aspect House Spencer Road Lancing, West Sussex BN99 6DA

## PART I

### LETTER FROM THE CHAIRMAN OF MCCOLL'S RETAIL GROUP PLC

*(Incorporated and registered in England and Wales with registered number 08783477)*

*Directors*

Angus Porter, *Chairman*  
Jonathan Miller, *Chief Executive Officer*  
Giles David, *Chief Financial Officer*  
Richard Crampton, *Chief Commercial Officer*  
Georgina Harvey, *Senior Independent Director*  
Jens Hofma, *Non-Executive Director*  
Dominic Lavelle, *Non-Executive Director*  
Benedict Smith, *Non-Executive Director*

*Registered office*

Ground Floor West, One London Road,  
Brentwood, Essex, England, CM14 4QW

13 August 2021

To: The holders of Ordinary Shares

**Proposed Firm Placing of 150,000,000 New Ordinary Shares at 20 pence per New Ordinary Share,  
Proposed Open Offer of up to 25,000,000 New Ordinary Shares at 20 pence per New Ordinary Share  
and Notice of General Meeting**

Dear Shareholder

#### 1. INTRODUCTION

The Board of McColl's Retail Group plc has today announced that it intends to raise approximately £30 million (before expenses) by way of a Firm Placing and up to £5 million (before expenses) by way of an Open Offer. 150,000,000 New Ordinary Shares will be issued through the Firm Placing and up to 25,000,000 New Ordinary Shares will be issued through the Open Offer, on the basis of 3 New Ordinary Share for every 14 Existing Ordinary Shares, in each case at an Offer Price of 20 pence per New Ordinary Share. The Open Offer will include an Excess Application Facility.

The purpose of this letter is to explain the background to, reasons for, and to set out the terms and conditions of, the Capital Raising and provide you with a Notice of General Meeting to be held to consider and, if thought fit, to pass the Resolutions required to authorise the Company to carry out the Capital Raising. The Directors believe the Capital Raising to be in the best interests of Shareholders as a whole and this document explains why the Directors unanimously recommend that Shareholders should vote in favour of all the Resolutions, as each Director has committed to do so in respect of his or her own legal and beneficial holdings of Shares (except for Jonathan Miller and his associates in respect of the Fourth Resolution who, because of his status as a related party under the Listing Rules, must abstain from voting on that Resolution). Each of the Resolutions is conditional on all of the other Resolutions being passed because (a) all of the Resolutions are required to be passed in order for the Capital Raising to complete successfully; and (b) certain of the Resolutions, if passed, would not be effective to complete the Capital Raising unless certain other Resolutions are passed.

Prior to the COVID-19 pandemic, it was the Board's belief that consumer preferences were trending away from large supermarkets towards local food-led convenience offerings and online shopping. Local convenience stores were also increasingly being used as a top-up shop in between the regular big weekly supermarket grocery shops. To take advantage of the trend towards local convenience offerings, the Group's strategy has been to progressively transform the Group's proposition away from heritage newsagent categories, such as tobacco and newspapers, which the Board believes are in long term structural decline, towards a more comprehensive grocery offering. The Board believes that the COVID-19 pandemic has further amplified these trends and the Group intends to accelerate its strategy to capture the market opportunity. A key component of delivering the opportunity is through rapidly converting existing stores to the Morrisons Daily format which the Board believes will deliver a strong return on investment.

In addition, the Group has operated with significant levels of leverage which has inhibited its ability to invest in growth and has prevented the rapid development of the proposition towards the exciting market opportunity. The Board considers that it is now the correct time for the business to raise further equity funding to accelerate its journey towards being a grocery-led business serving local communities with high quality branded and own-

label groceries. The Board believes that its strategy can improve the growth of the business and deliver significantly enhanced performance.

In response to these factors, the Board is today proposing the Capital Raising and intends to use the net proceeds:

- to increase the number, and accelerate the pace of rollout, of Morrisons Daily stores from 56 to 350 by the end of the financial year ending November 2022 (an increase of 50 stores against the Group's previous target of 300 stores by the end of December 2023);
- to improve the grocery infrastructure in the Morrisons Daily sites thus enhancing the standard of the refit and expanding the chilled offer with more refrigeration, adding further profit potential;
- to further invest in the store estate, including the potential to extend the rollout of Morrisons Daily beyond 350 stores, or reduce financial leverage of the Group; and
- to reduce the Group's financial leverage.

The quantum of the Firm Placing has been arrived at based on the cash requirement to support the investment and deleveraging objectives which assumes:

- that the cost of converting a store to Morrisons Daily, based on previous rollouts, is approximately £60,000 per store. In order to accelerate the rollout of Morrisons Daily stores from 56 to 350 by the end of the financial year ending November 2022 the Group will need access to approximately £10 million of incremental funding;
- that the cost of improving the grocery infrastructure in Morrisons Daily stores, based on previous rollouts, is approximately £30,000 per store. In order to meet the Group's ambition to fit out 350 stores in this way by the end of the financial year ending November 2022, the Group will need a further approximately £10 million of available funds; and
- that the balance of the net proceeds of the Firm Placing will be deployed in the best interests of the Group as a whole which, as at the date of this prospectus, the Board intends to use as follows, either: (i) to (together with the Group's existing resources) voluntarily prepay and cancel the Term Loan and/or Revolving Facility commitments in an aggregate amount of at least £10 million by late August 2022 or (ii) to further accelerate the rollout of Morrisons Daily stores. If the Group was to proceed with option (i) and to use the balance of proceeds of the Firm Placing (together with the Group's existing resources) to voluntarily prepay and cancel the Term Loan and/or Revolving Facility commitments in an aggregate amount of £10 million by late August 2022, an additional deferred arrangement fee would be reduced. The Board will explore its options in relation to any prepayment of up to £10 million received in the Firm Placing by the end of Q2 2022.

Any proceeds raised pursuant to the Open Offer will be deployed in the best interests of the Group as a whole which, as at the date of this prospectus, the Board intends to use to reduce the Group's financial leverage.

The Board has considered the best way to structure the proposed Capital Raising. The decision to structure the Capital Raising by way of a combination of a Firm Placing and Open Offer takes into account a number of factors including the total net proceeds to be raised. The Board believes that the Firm Placing will enable the Company to satisfy demand from potential new investors as well as current Shareholders wishing to increase their equity positions in the Company. The Board has sought to balance the dilution to existing Shareholders arising from the Firm Placing with the need to bring in substantial investors with guaranteed commitments to ensure the success of the Capital Raising. As a result, 14 per cent. of the New Ordinary Shares being issued will be available to existing Shareholders through the Open Offer on a pro rata basis. The Board is seeking the approval of Shareholders, by way of the Resolutions at the General Meeting, to the Capital Raising.

A General Meeting has been convened for 11.00 a.m. on 1 September 2021 at the Company's Head Office at Ground Floor West, One London Road, Brentwood, Essex, England, CM14 4QW for Shareholders to consider and, if thought fit, approve the Resolutions. Further details of the General Meeting are provided in Section 10 (*Action to be taken*) of this Part I (*Letter from the Chairman*) and in the section entitled "*Notice of General Meeting*" at the end of this document.

I am writing to give you further details of the Capital Raising, including the background to and reasons for the Capital Raising, to explain why the Board considers the Capital Raising to be in the best interests of the Company and the Shareholders as a whole and to seek your approval of the Resolutions.

## **2. BACKGROUND AND REASONS FOR THE CAPITAL RAISING**

### **Background**

McColl's is a leading neighbourhood retailer with an estate of 1,222 managed convenience stores and newsagents as at 30 May 2021. The Group operates 'McColl's' and 'Morrisons Daily' branded convenience stores as well as newsagents branded 'Martin's Newsagents' across the UK, except in Scotland which is operated under its heritage brand, 'RS McColl'.

Convenience stores make up the majority of the estate, with 1,093 convenience stores in operation as at 30 May 2021 compared to 172 newsagents. While overall store numbers have remained broadly the same (the Group operated 1,263 stores in 2011 compared to 1,265 in 2020) the mix has changed significantly. In 2011, there was a broadly equal proportion of convenience stores (47%) and newsagents (53%), whereas in 2020 the proportion of convenience stores had risen to 86% with newsagents at 14%. This shift has been achieved through acquisition of new larger stores more suited to food-led convenience and the divestment and closure of less suitable newsagent stores. At its peak the Group traded through 1,651 sites in 2017.

McColl's convenience stores and newsagents are mostly located close to residential areas, in neighbourhoods and villages, for ease of access. The stores operate in locations with little competition and have therefore performed resiliently during the pandemic, particularly against retailers located in high streets and urban city centres which saw steep footfall declines during the same period. According to research from the Association of Convenience Stores, 51% of customers of a typical convenience store live within 400 meters, and 22% visit a local store every day, every week. The Group processes four million customer transactions per week with c.15,000 colleagues across the business and is committed to delivering great service to customers.

The convenience stores provide a vital service to many communities across the UK including everyday access to fresh food and groceries plus a range of services such as ATMs, bill payment, and internet collection points. The Group is also the largest operator of Post Offices in the United Kingdom with 516 in operation as at 30 May 2021.

The partnership with Morrisons is of key strategic importance to the Group and the Group agreed a significant letter of variation to the Wholesale Supply Agreement with Morrisons in February 2021 which, inter alia, extended the term to 1 January 2027 thus securing the Group's continuity of supply until this date. The variation to the Wholesale Supply Agreement represented a key enabler in the Group's strategic goal of becoming a food-led convenience retailer, giving even greater access to Morrisons' grocery expertise and brand.

Morrisons is the wholesale supplier for the Group's entire estate, supplying the Group with all of its groceries, tobacco, confectionery, beers, wines and spirits. This enables the Company to work in partnership with Morrisons to seek continuous improvement and to further simplify its operations, whilst seeking the best value across an enhanced product range for customers. Certain of the Group's non-grocery products (for example, cards, news, magazines and food-to-go) are supplied by other suppliers.

Under the terms of the existing Wholesale Supply Agreement, Morrisons originally agreed to support the ongoing conversion of 300 McColl's convenience stores to the 'Morrisons Daily' fascia and format over the next three years. Due to the initial success of the trial Morrisons Daily stores and more recent openings, the Group has successfully negotiated with Morrisons the opportunity to convert a further 50 stores, which would bring the total number of conversions to 350 stores which the Group intends to do if the Firm Placing is successful.

### **Actions taken in response to COVID-19 pandemic**

In March 2020, due to the rapid escalation of the COVID-19 pandemic, the UK Government took unprecedented action to control the virus by implementing measures such as a national lockdown. This led to the temporary closure of many businesses with only essential retailers allowed to remain open.

The Group was classed as an essential retailer as it provides a crucial service to local neighbourhoods by selling food and providing other services such as the Post Office and internet collection/return points. The majority of the Group's stores were kept open during the crisis, and continue to be so, a testament to the dedication and hard work of everyone at McColl's.

The Group moved quickly to adapt stores for social distancing and health and safety measures in line with Government guidance. The Group temporarily removed non-essential items from sale such as scratch cards due to potential transmission risks, reduced trading hours to manage deliveries and staff absence levels, fitted stores

with the necessary protections such as perspex screens at the till counter and worked closely with suppliers to keep supply chains open.

A full range of personal protective equipment (PPE) was also deployed for store colleagues who were offered double discounts on selected products for an extended period to help to support them during the period. In addition, remote working was rapidly deployed for head office (Retail Support Centre) colleagues.

As a neighbourhood retailer the Group implemented numerous initiatives to help serve its local communities during the COVID-19 pandemic. The Group provided essential food and goods to colleagues at NHS Great Ormond Street Hospital for free to support the NHS and the invaluable service it provides. In its stores, the Group offered free coffee to all emergency and NHS workers and delivery drivers that kept goods flowing to stores. The Group was also the first convenience retailer to support the Free School Meals voucher scheme, as well as stocking The Big Issue in-store for the first time in the magazine's history to support its vendors.

## **Market overview**

The grocery sector has seen significant change as a result of the COVID-19 pandemic which the Board believes has led to significant changes in food retail and accelerated trends which would otherwise have taken years. Lockdown restrictions and the move to home working materially affected how customers shop, and validated the changes the Group was already making to its offering.

Firstly, the Group has experienced an acceleration of shopping to community convenience stores and the significant growth of grocery shopping online. The Directors believe that what was a temporary channel shift is becoming permanent mainly to the detriment of the large supermarket format. Demand has been stronger for convenience stores with more people visiting their local store as they continue to work from home. As a result, local neighbourhood retailing came into focus in 2020, the Group's food-led stores outperforming the wider convenience market according to Nielsen. While demand for convenience retail is likely to moderate from the high levels seen in 2020, there will be opportunities for stores to further enhance their role as destinations to meet local community needs. According to Mintel research, 80% of convenience store shoppers agree that they provide essential services to local neighbourhoods, with 94% of store users visiting at least once a month. The Institute of Grocery Distribution (IGD) estimates that the convenience channel will grow by 13.2% from 2019 to 2022 calculated by value, with market share increasing by 60 basis points to 22% during the same period. This contrasts with supermarkets which the IGD estimates will have 42.3% market share by 2022 (down from 46.1% in 2019).

Secondly, the Board also identified changes in the shopping behaviour of the Group's customers with a shift towards less frequent visits, but with larger shopping baskets and more food-based missions. Some categories benefitted from this change, with fresh food, BWS (beers, wines and spirits) and tobacco growing quickly, at the expense of other products such as food-to-go and impulse confectionery, snacks and soft drinks. As a result of this strong demand, the business was able to deliver materially higher like-for-like sales in FY 2020, up by 12.0%.

Thirdly, as a result of the COVID-19 pandemic, the Group experienced a significant shift in the pattern of trade, and additional costs related to the implementation of COVID-19 protection measures for staff and customers, which impacted overall operating margins. For example, the Group experienced the following changes to its activities: the mix of customer purchases away from higher margin single-pack items to lower margin multipack products, higher sales growth rates, some stores experiencing temporary closures and disruption to the supply of some products and greater staff sickness levels. The overall impact was to reduce profitability and change the working capital profile of the business. To offset those impacts, action was taken to reduce costs, refine the proposition and access some government reliefs including business rates relief and use of the Coronavirus Job Retention Scheme for the furlough of the Group's most vulnerable employees.

## **Strategy and proposed actions**

### ***Partnership with Morrisons, rollout of Morrisons Daily and enhancement of grocery infrastructure***

The pandemic has reinforced the Group's conviction that its strategy of increasing fresh food and grocery mix and keeping the customer central to the Group's strategy remains the right one. The partnership with Morrisons is critical to deliver this.

Morrisons is the Group's sole wholesale supplier across its entire estate to January 2027. The relationship gives the Group access to Morrisons food retail expertise, breadth of product offering and brand. The wholesale agreement with Morrisons gives the Group continued access to a supermarket quality fresh food and grocery

offer through the Safeway brand, which is continuing to be developed as part of a broader programme of range reviews.

In addition, the Group currently operates 56 stores with the Morrisons Daily fascia. The Group's Morrisons Daily stores are owned and operated by the Group, but have the Morrisons Daily fascia with ranges that include Morrisons own-branded products. Under the terms of the existing Wholesale Supply Agreement, Morrisons will support the conversion of 300 McColl's convenience stores to the 'Morrisons Daily' fascia and format over the next three years, including those currently in operation, which will sell Morrisons own-brand products. Due to the initial success of the first Morrisons Daily stores and more recent openings, the Group has successfully negotiated with Morrisons the opportunity to convert a further 50 stores, which would bring the total number of conversions to 350. The proceeds of the Firm Placing will fund an accelerated conversion of these stores and to a higher standard.

Over the last two years, the Group's Morrisons Daily conversions have been through a rigorous controlled assessment process. At each stage, the Group has evaluated the trading of these sites compared to the rest of the estate, as well as assessing the pre and post Morrisons Daily conversion trading performance, to gather an understanding of the factors that contribute to the performance of the site. These sites, in aggregate, have shown superior economics to the control groups mentioned, with the Morrisons Daily conversion sites generally delivering higher revenues and improved profitability.

In the Company's experience so far, a newly converted Morrisons Daily store experiences almost immediate revenue uplifts, highlighting a short maturity period for each store conversion. Taking all of the opportunities to optimise the delivery of the Morrisons Daily conversion programme, the Group expects to be able to achieve a cash payback on the capital expenditure invested of between two and three years. The performance across each Morrisons Daily conversion is driven by an expanded grocery offering, improved customer value, and attractiveness of the Morrisons brand, in particular for its own-brand product offering. While more competitive pricing in these sites erodes the average percentage gross margin, this is more than offset by higher volumes leading to a higher cash contribution per store.

Having completed an analysis of the Morrisons Daily roll out to date, with a particular focus on the necessary demographics and operational factors that contribute to a successful conversion, the Group believes that there are at least 350 sites within the current estate where the Morrisons Daily format would be a success. One key attribute is the available square footage of the site, with larger sites, in general, more suitable to the Morrisons Daily format compared to smaller sites. However, the Morrisons Daily fascia has worked successfully in stores as small as 1,200 square feet, highlighting the importance and competitive strength of its neighbourhood locations. Half of the Group's store estate are 1,200 square feet or larger, indicating a choice of around 700 stores for the proposed 350 Morrisons Daily sites.

In addition, the Group believes there is a compelling opportunity to optimise the space, range and pricing of its product offering to substantially improve the economics of each Morrisons Daily conversion. The Group has engaged Scalene Group, a third-party retail analytics company, to analyse each specific trading line, comparing basket economics and a customer's propensity to buy. Scalene specializes in space optimisation, range management, customer insights and operating model optimisation. As part of this evaluation, it has been established that the trading of the Morrisons Daily sites could be significantly improved with increased investment in the physical infrastructure of the store, particularly additional fridges to enable the rebalancing of the range away from news and ambient grocery to chilled ranges. This would add meaningful profit upside per store without changing the payback period on capital expenditure deployed.

The Morrisons Daily stores have the highest revenues out of all stores operating in the Group's estate, due to a high grocery mix and wider product choice for customers. The Morrisons Daily format allows the Group to grow customer spend, frequency and loyalty by growing the basket size, offering customers access to great value fresh food at close to supermarket prices on their doorstep under the Morrisons brand, which is synonymous with fresh food. The rollout of Morrisons Daily stores ties in with the Group's strategic focus on the larger convenience store format, to drive incremental sales in grocery, fresh food and BWS, providing opportunities for sales mix improvement.

A large portion of the Group's store estate is located in low-income neighbourhoods where offering value-for-money is critical to local customers. The Morrisons own-brand offering within Morrisons Daily stores delivers this value across a core range of grocery essentials, at a significant discount to the equivalent branded product. The Board believes that this leads to a higher frequency of shop, basket size and loyalty for those customers looking to shop on a budget in between their weekly grocery shops at a local supermarket or discount retailer.



On average, Morrisons Daily stores generated like-for-like sales growth of 25% in FY 2020, compared to the Group average of 12%. The Morrisons Daily stores also had the highest proportion of grocery and alcohol sales (50%) compared to the Group average (34%). The ambition to grow grocery and alcohol sales as a proportion of total revenues is a key performance indicator for the Group. A growing grocery and alcohol mix leads to a higher basket size and higher operating efficiency metrics. In addition, the growth in grocery and alcohol products drives accretive margin mix over medium term. This is in contrast to lower margin categories such as news and tobacco that are in structural decline.

Current covenant headroom levels and liquidity allow for only a moderate rollout and investment in Morrisons Daily conversions. The Board believes that this restricts the ability of the business to capture the opportunity presented. The proximity to banking covenants also inhibits all other investment and deflects management focus from running the business to the maximum benefit of its key stakeholders including Shareholders.

The Firm Placing will enable the Company to accelerate the rollout of Morrisons Daily stores and help to improve the grocery infrastructure in the Morrisons Daily sites thus enhancing the standard of the refit and expanding the chilled offer with more refrigeration.

### ***Bank facilities and reduction in leverage***

A proportion of the net proceeds of the Capital Raising may be used to reduce financial leverage in the business. In March 2021, the Company announced a revision to its then existing banking facilities in order to give the business greater financial certainty and flexibility to execute its strategy. The Amended Credit Facility (made available to the Group pursuant to the Facilities Agreement), which consists of the £100 million Revolving Facility and an amortising £67.0 million Term Facility (of which £61.7 million was available and fully committed as at the date of this document), provides increased headroom against covenants, a realigned amortisation schedule and extends the maturity from May 2022 to February 2024. The Amended Credit Facility was arranged with the existing syndicate of six banks, comprising AIB Group (UK), Barclays Bank PLC, HSBC UK Bank plc, National Westminster Bank plc, Santander UK PLC, and Bank of Ireland.

As at 30 May 2021, the Group's net debt, excluding lease liabilities, was £109.7 million relative to total committed facilities of £167.0 million. The Amended Credit Facility includes two covenants which are tested on a 'last twelve months basis' every three months. The covenants are 1) a consolidated total net debt to adjusted EBITDA ratio (the "**Leverage Ratio**") covenant of 3.5x and 2) a fixed charge cover covenant of 1.5x. The amortisation schedule of the term loan has also been weighted to year three, which previously had fixed payment terms of £2.5m per quarter. Amortisation will now be due as follows: £5 million in FY 2021, £10 million in FY 2022 and £15 million in FY2023. One of the restrictions relates to the payment of dividends which are only payable once the leverage ratio is lower than 1.75x trailing EBITDA.

Under the terms of the Facilities Agreement, an additional deferred arrangement fee (calculated depending on the amount of voluntary prepayments the Company makes within a given period) would be reduced if the Company voluntarily prepays and cancels the Term Loan and/or Revolving Facility commitments in an aggregate amount of at least £10 million by late August 2022. Accordingly, the Board may, if it sees fit, use a proportion of the net proceeds of the Firm Placing (together with the Group's existing resources) to repay the £10 million of the funds drawn down under the Term Loan and/or Revolving Facility ahead of such time. The Board will explore its options in relation to any prepayment of up to £10 million received in the Firm Placing by the end of Q2 2022.

### **3. PRINCIPAL TERMS OF THE FIRM PLACING AND OPEN OFFER**

The Company is proposing to raise proceeds of:

- i. £30 million (before expenses) by way of a Firm Placing of 150,000,000 New Ordinary Shares; and
- ii. up to £5 million (before expenses) by way of an Open Offer of up to 25,000,000 Open Offer Shares,

(together, the "**Capital Raising**") in each case at an Offer Price of 20 pence per New Ordinary Share. The New Ordinary Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares. Estimated net proceeds of the Capital Raising after expenses are £32.7 million assuming that the Open Offer is taken up in full.

Subject to fulfilment of, among other things, the conditions set out below (and, in the case of Qualifying Non-CREST Shareholders, the Application Form), the Open Offer Shares will be offered to Qualifying Shareholders on the following basis:

*3 Open Offer Shares for every 14 Existing Ordinary Shares*

held and registered in the name of each such Qualifying Shareholder on the Record Date (and so in proportion for any other number of Existing Ordinary Shares then held) and otherwise on the terms and conditions set out in this document. Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Open Offer. Fractions of Open Offer Shares will be disregarded in calculating Qualifying Shareholders' Open Offer Entitlements and each Qualifying Shareholder's entitlements to Open Offer Shares will be rounded down to the nearest whole number.

Qualifying Shareholders who take up their Open Offer Entitlements in full may apply to subscribe for Excess Shares using the Excess Application Facility. Qualifying Non-CREST Shareholders wishing to apply to subscribe for Excess Shares may do so by completing the relevant sections on the Application Form. Qualifying CREST Shareholders who wish to and are able to apply to subscribe for more than their Open Offer Entitlements will have Excess Open Offer Entitlements credited to their stock account in CREST and should refer to paragraph 1 of Part IV (*Terms and Conditions of the Open Offer*) for information on how to apply for Excess Shares pursuant to the Excess Application Facility.

The Excess Application Facility will comprise Open Offer Shares that are offered to Qualifying Shareholders under the Open Offer as Open Offer Entitlements but are not taken up. Qualifying Shareholders' applications for Excess Shares will, therefore, be satisfied only to the extent that applications by other Qualifying Shareholders are made for less than their pro rata Open Offer Entitlements. All applications under the Excess Application Facility will be subject to the Excess Application Cap. If there is an over subscription resulting from excess applications, allocations of Excess Shares will be determined by the Excess Allocation Method. Further details regarding the Excess Allocation Method are set out in paragraph 1 of Part IV (*Terms and Conditions of the Open Offer*).

The Offer Price represents a discount of approximately 31.03 per cent. to the Closing Price on 11 August 2021 (being the last Business Day prior to the announcement of the Capital Raising). The Offer Price (and the discount) has been set by the Directors following their assessment of the prevailing market conditions and anticipated demand for the New Ordinary Shares. The Board, having taken appropriate advice from its advisors, believes that the Offer Price (including the discount) is appropriate in the circumstances.

### **Firm Placing**

Pursuant to the Placing and Sponsor Agreement, the Joint Bookrunners have severally agreed to use reasonable endeavours to procure subscribers for the Firm Placing Shares at the Offer Price. Following a bookbuild process, the Joint Bookrunners, as agents of the Company, have made arrangements to place 150,000,000 Firm Placing Shares at the Offer Price, on a non-pre-emptive basis. The Firm Placing will not be subject to clawback to satisfy Open Offer Entitlements taken up by Qualifying Shareholders under the Open Offer. Qualifying Shareholders are not being offered the ability to participate in the Firm Placing on a pre-emptive basis. Pursuant to the terms and conditions of the Placing and Sponsor Agreement, the Joint Bookrunners have agreed to underwrite the settlement risk in the event that any Firm Placees fail to take up their allocation of the New Ordinary Shares under the Firm Placing. The Firm Placing is conditional upon, amongst other things, the Resolutions being passed without material amendment at the General Meeting.

Certain investors have already committed to participate in the Firm Placing; please see section 8.2 in Part X (*Additional Information*) below for further information. Please refer to Paragraph 10.1 in Part X (*Additional Information*) for further details of the Placing and Sponsor Agreement.

### **Open Offer**

Qualifying Shareholders will have the opportunity under the Open Offer to subscribe for Open Offer Shares at the Offer Price, payable in full on application and free of expenses, pro rata to their existing shareholdings, on the basis of 3 Open Offer Share for every 14 Existing Ordinary Shares held by them and registered in their names at the Record Date. Fractions of Open Offer Shares will be disregarded in calculating Qualifying Shareholders' Open Offer Entitlements and each Qualifying Shareholder's entitlements to Open Offer Shares will be rounded down to the nearest whole number. The Joint Bookrunners will not underwrite settlement risk in respect of the Open Offer.

**Shareholders should be aware that the Open Offer is not a rights issue. As such, Qualifying Non-CREST Shareholders should note that their Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should further note that, although the Open Offer Entitlements and Excess Open Offer Entitlements will be admitted to CREST, and be enabled for settlement, the Open Offer Entitlements and Excess Open Offer Entitlements will not be tradeable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholder**

**originally entitled or by a person entitled by virtue of a bona fide market claim. Open Offer Shares not taken up by Shareholders under the Open Offer will be allocated to Qualifying Shareholders who apply under the Excess Application Facility (in accordance with the Excess Allocation Method) with the proceeds ultimately accruing for the benefit of the Company.**

### **Conditionality**

The Capital Raising is conditional upon the following:

- all of the Resolutions being passed by the Shareholders without material amendment at the General Meeting;
- the Placing and Sponsor Agreement becoming or being declared unconditional in all respects (save in respect of Admission) and not having been terminated in accordance with its terms prior to Admission; and
- Admission becoming effective by no later than 8.00 a.m. on 6 September 2021 (or such later time and/or date as the Company and the Joint Bookrunners may determine).

Each of the Resolutions is conditional on all of the other Resolutions being passed because (a) all of the Resolutions are required to be passed in order for the Capital Raising to complete successfully; and (b) certain of the Resolutions, if passed, would not be effective to complete the Capital Raising unless certain other Resolutions are passed.

Accordingly, if any of such conditions are not satisfied, or, if applicable, are not waived, the Capital Raising will not proceed and any Open Offer Entitlements admitted to CREST will thereafter be disabled and application monies will be returned to applications (at the applicant's risk) without interest as soon as possible.

The Placing and Sponsor Agreement is conditional, *inter alia*, upon:

- all of the Resolutions being passed by Shareholders without material amendment at the General Meeting; and
- Admission becoming effective by no later than 8:00 a.m. on 6 September 2021 (or such later time and/or date as the Company and the Joint Bookrunners may determine).

### **Dilution**

If a Qualifying Shareholder does not take up any of his Open Offer Entitlements, such Qualifying Shareholder's holding, as a percentage of the Enlarged Share Capital, will be diluted by approximately 60 per cent. pursuant to the Capital Raising (assuming that the Open Offer is taken up in full).

If a Qualifying Shareholder does take up all of his Open Offer Entitlements, such Qualifying Shareholder's holding, as a percentage of the Enlarged Share Capital, will be diluted by approximately 52 per cent. pursuant to the Capital Raising (assuming that the Open Offer is taken up in full).

Shareholders in the United States and certain other Excluded Territories will not be able to participate in the Open Offer.

## **4. FINANCIAL IMPACT OF THE CAPITAL RAISING**

Had the Capital Raising taken place so that the net proceeds were accounted for as at 30 May 2021, the effect would have been to increase cash and cash equivalents by £32,700,000 (assuming the Open Offer is taken up in full).

Your attention is drawn to Part VII (*Unaudited Pro Forma Financial Information*) of this document which contains an unaudited pro forma statement of net assets that illustrates the effect of the Capital Raising on the Group's net assets as at 30 May 2021 as if the Capital Raising had been undertaken at that date. This information has been prepared for illustrative purposes only.

## 5. USE OF PROCEEDS

The Capital Raising is expected to raise, in aggregate, approximately £35.0 million in gross proceeds (approximately £32.7 million net of expenses) assuming the Open Offer is taken up in full. The Board intends to use the net proceeds as follows:

- to increase the number, and accelerate the pace of rollout, of Morrisons Daily stores from 56 to 350 by the end of the financial year ending November 2022 (an increase of 50 stores against the Group's previous target of 300 stores by the end of December 2023);
- to improve the grocery infrastructure in the Morrisons Daily sites thus enhancing the standard of the refit and expanding the chilled offer with more refrigeration, adding further profit potential;
- to further invest in the store estate, including the potential to extend the rollout of Morrisons Daily beyond 350 stores, or reduce financial leverage of the Group; and
- to reduce the Group's financial leverage.

The quantum of the Firm Placing has been arrived at based on the cash requirement to support the investment and deleveraging objectives which assumes:

- that the cost of converting a store to Morrisons Daily, based on previous rollouts, is approximately £60,000 per store. In order to accelerate the rollout of Morrisons Daily stores from 56 to 350 by the end of the financial year ending November 2022 the Group will need access to approximately £10 million of incremental funding;
- that the cost of improving the grocery infrastructure in Morrisons Daily stores, based on previous rollouts, is approximately £30,000 per store. In order to meet the Group's ambition to fit out 350 stores in this way by the end of the financial year ending November 2022, the Group will need a further approximately £10 million of available funds; and
- that the balance of the net proceeds of the Firm Placing will be deployed in the best interests of the Group as a whole which, as at the date of this prospectus, the Board intends to use as follows, either: (i) to (together with the Group's existing resources) voluntarily prepay and cancel the Term Loan and/or Revolving Facility commitments in an aggregate amount of at least £10 million by late August 2022 or (ii) to further accelerate the rollout of Morrisons Daily stores. If the Group was to proceed with option (i) and to use the balance of proceeds of the Firm Placing (together with the Group's existing resources) to voluntarily prepay and cancel the Term Loan and/or Revolving Facility commitments in an aggregate amount of £10 million by late August 2022, an additional deferred arrangement fee would be reduced. The Board will explore its options in relation to any prepayment of up to £10 million received in the Firm Placing by the end of Q2 2022.

Any proceeds raised pursuant to the Open Offer will be deployed in the best interests of the Group as a whole which, as at the date of this prospectus, the Board intends to use to reduce the Group's financial leverage.

## 6. CURRENT TRADING AND OUTLOOK

### *Current trading*

Total revenue for the twenty six week period ending 30 May 2021 was £572.7 million and like-for-like sales growth for the period was +1.0%, building on top of the exceptional sales performance during the same period last year (H1 2020 LFL +8.3%). The third national lockdown in the UK saw trading patterns revert to those seen previously, with customers favouring lower-margin take home rather than higher-margin impulse products, and a preference for multi-buys and value packs, resulting in a reduction in the gross margin rate of 140 basis points. This margin dilution was partly offset by continued cost discipline and business rates relief leading to an adjusted EBITDA (before IFRS 16) decline of £2.8 million to £10.3 million.

### *Outlook*

Like-for-like sales increased 1.0% in the period, this was achieved against the strong comparative period in Q2 last year as a result of the onset of the pandemic. On a two year view, like-for-like sales were up 7.4% in the first half, highlighting the continued momentum the business has seen, growing on top of last year's exceptional sales.

As social distancing restrictions have eased, the Group has started to see a stabilisation in underlying gross margin trends as customers revert to pre-pandemic buying patterns. This includes more frequent visits with lower basket sizes and increased sales of higher-margin impulse products.

Despite this, the Group has seen revenues impacted by availability issues in stores over recent months due to supply chain disruption. This has been caused by the widely publicised nationwide shortage of delivery drivers due to a combination of external factors. The Group has put in place a number of temporary mitigating actions and continue to work closely with its supply chain partner to resolve these challenges as quickly as possible.

If these challenges to trading do not materially improve in the second half of the financial year, the performance in the full year is likely to fall short of management expectations. Notwithstanding these short-term headwinds, the Group remains optimistic for the future. Management believes that a post pandemic trading environment, coupled with the significant benefits of the acceleration and scaling up of its Morrisons Daily roll out, will allow the Group to significantly exceed its current performance.

The Board considers that the strong demand for the Group's convenience offering, an expected step change in growth and a strong investment case from its Morrisons Daily stores, and the ability to leverage new opportunities such as the demand for local delivery options, is likely to deliver sustainable profitable growth in 2022 and beyond.

## 7. DIRECTOR PARTICIPATION

All of the Directors have irrevocably committed to participate in the Capital Raising via the Firm Placing as set out in the table below. Each Director has irrevocably committed to not take up any of their Open Offer Entitlements.

<u>Director</u>	<u>Number of Firm Placing Shares</u>	<u>Aggregate subscription amount (£)</u>
Jonathan Miller . . . . .	15,000,000	3,000,000
Angus Porter . . . . .	150,000	30,000
Giles David . . . . .	200,000	40,000
Georgina Harvey . . . . .	25,000	5,000
Jens Hofma . . . . .	150,000	30,000
Dominic Lavelle . . . . .	150,000	30,000
Benedict Smith . . . . .	150,000	30,000
Richard Crampton . . . . .	125,000	25,000

Jonathan Miller's subscription constitutes a related party transaction for the purposes of paragraph 11.1.7 of the Listing Rules as described in further detail in paragraph 8 (*Related Party Transactions*) below.

Each Director's subscription (other than Jonathan Miller's) constitutes a smaller related party transaction for the purposes of paragraph 11.1.10 of the Listing Rules as described in further detail in paragraph 8 below.

## 8. RELATED PARTY TRANSACTIONS

### *Shareholder related party transaction*

Aberforth is a related party of the Company for the purposes of the Listing Rules as it is a substantial shareholder of the Company which is entitled to exercise, or control the exercise of, approximately 11.9 per cent. of the votes able to be cast at general meetings of the Company.

The aggregate value of the New Ordinary Shares to be issued to Aberforth pursuant to the Firm Placing is approximately £5,000,000. Accordingly, the issue of such New Ordinary Shares to Aberforth is a transaction of sufficient size to require Shareholder approval under the Listing Rules as Aberforth is a related party, which will be sought at the General Meeting (Aberforth and its affiliates will not vote on the Fifth Resolution). Any New Ordinary Shares issued to Aberforth as a result of it taking up its Open Offer Entitlements are exempt from the rules regarding related party transactions under chapter 11 of the Listing Rules.

### *Director related party transaction*

Each Director is a related party of the Company for the purposes of the Listing Rules. Each Director has irrevocably committed to not take up any of their Open Offer Entitlements and will only participate in the Capital Raising via the Firm Placing. However, such subscriptions by the Directors for Firm Placing Shares fall within the scope of the rules regarding related party transactions.

The subscription by Jonathan Miller for 15,000,000 New Ordinary Shares at the Offer Price for the total amount of £3 million constitutes a related party transaction for the purposes of paragraph 11.1.7 of the Listing Rules and, consequently, such subscription requires Shareholder approval under the Listing Rules which will be sought at the General Meeting. Jonathan Miller is not entitled to vote on the Fourth Resolution at the General Meeting and has taken all reasonable steps to ensure that his associates do not vote on the Fourth Resolution.

Each of the subscriptions by the Directors set out in the table below also constitute a smaller related party transaction for the purposes of paragraph 11.1.10 of the Listing Rules:

<u>Director</u>	<u>Number of Firm Placing Shares</u>	<u>Aggregate subscription amount (£)</u>
Angus Porter . . . . .	150,000	30,000
Giles David . . . . .	200,000	40,000
Georgina Harvey . . . . .	25,000	5,000
Jens Hofma . . . . .	150,000	30,000
Dominic Lavelle . . . . .	150,000	30,000
Benedict Smith . . . . .	150,000	30,000
Richard Crampton . . . . .	125,000	25,000

## 9. GENERAL MEETING

A notice convening a general meeting of the Company to be held at 11:00 a.m. on 1 September 2021 at Ground Floor West, One London Road, Brentwood, Essex, CM14 4QW, at which the Resolutions will be proposed is set out at the end of this document. The purpose of the General Meeting is to consider and, if thought fit, pass the Resolutions, as set out in full in the Notice of General Meeting. A Form of Proxy to be used in connection with the General Meeting is enclosed.

**Your attention is drawn to the fact that the Capital Raising is conditional and dependent upon the Resolutions being passed.**

The purpose of the General Meeting is to seek Shareholders' approval for the following resolutions:

*Resolution 1—Authority to allot New Ordinary Shares*

The First Resolution is an ordinary resolution authorising, in addition to all existing authorities, the Directors to allot shares in the Company or to grant rights to subscribe for shares in the Company up to a nominal amount of £175,000 in connection with the Capital Raising. This authority will expire at close of business on the date that is six months from the date of the General meeting.

*Resolution 2—Disapplication of Pre-emption Rights*

The Second Resolution is a special resolution authorising, in addition to all existing authorities, the Directors to allot shares in the Company for cash under the authority bestowed by the First Resolution above as if section 561 of the Companies Act did not apply to such allotment.

*Resolution 3—Approval of Offer Price*

The Third Resolution is an ordinary resolution authorising the issue of up to 175,000,000 New Ordinary Shares at the Offer Price of 20 pence per share, being a discount of 31.03 per cent. to the closing middle market quotation of an Existing Ordinary Share of 29 pence per share on 11 August 2021 (being the last Business Day prior to the announcement of the Capital Raising), and otherwise approving the various terms set out in this document.

*Resolution 4—Related Party Transaction (Jonathan Miller participation in the Firm Placing)*

The Fourth Resolution is an ordinary resolution authorising Jonathan Miller's application for 15,000,000 New Ordinary Shares under the terms of the Firm Placing, which constitutes a related party transaction for the purposes of Chapter 11 of the Listing Rules.

*Resolution 5—Related Party Transaction (Aberforth participation in the Firm Placing)*

The Fifth Resolution is an ordinary resolution authorising Aberforth's application for 25,000,000 New Ordinary Shares under the terms of the Firm Placing, which constitutes a related party transaction for the purposes of Chapter 11 of the Listing Rules.

The First Resolution, Third Resolution, Fourth Resolution and Fifth Resolution must be approved by Shareholders who together represent a simple majority of the Ordinary Shares being voted (whether in person or by proxy) at the General Meeting, whilst the Second Resolution must be approved by Shareholders who together represent three quarters or more of the Ordinary Shares being voted (whether in person or by proxy) at

the General Meeting. Jonathan Miller and his associates will not vote on the Fourth Resolution. Aberforth and its associates will not vote on the Fifth Resolution.

Each of the Resolutions is conditional on all of the other Resolutions being passed because (a) all of the Resolutions are required to be passed in order for the Capital Raising to complete successfully; and (b) certain of the Resolutions, if passed, would not be effective to complete the Capital Raising unless certain other Resolutions are passed.

For further information in relation to the Resolutions to be proposed at the General Meeting and the measures in place as a result of restrictions in light of the COVID-19 pandemic, see the “Notice of General Meeting” at the end of this document.

## **10. ACTIONS TO BE TAKEN**

### **In respect of the General Meeting**

In respect of the COVID-19 pandemic, the Company expects to be able to welcome Shareholders in person to the General Meeting. However, due to the evolving nature of the COVID-19 pandemic, we cannot guarantee that physical attendance will be permitted by law and UK Government guidance. If such law and guidance requires us to restrict entry to, or limit the number of attendees at, the General Meeting, an announcement will be released and details will also be published on our website at [www.mccollsplc.co.uk](http://www.mccollsplc.co.uk). If entry is restricted to General Meeting, it is intended that the General Meeting would be convened in accordance with the Company’s Articles of Association and in line with the UK Government guidance. We reserve the right to put in place arrangements to protect attendees from any risk to their health.

The Board are committed to open dialogue with our Shareholders and we remain mindful of ensuring that Shareholders have an opportunity to engage with us. Shareholders are encouraged to submit questions in advance of the General Meeting, or raise matters of concern as a Shareholder by emailing [investor.relations@mccolls.co.uk](mailto:investor.relations@mccolls.co.uk) with the subject line ‘General Meeting’ before 1 September 2021. Answers to questions that are of common interest will be published on the Group’s website and any other responses will be made by return email.

Shareholders are encouraged to exercise their voting rights and you will find enclosed with this document a Form of Proxy to be used in connection with the General Meeting. It is important to us that our Shareholders have the opportunity to vote despite the uncertainty regarding attending the General Meeting in person. You can use the enclosed Form of Proxy to nominate someone else to come to the meeting and vote for you (this person is called a proxy). To appoint a proxy you need to send back the Form of Proxy enclosed with this document to the Registrar as soon as possible and in any event so as to arrive no later than 11.00 a.m. on 27 August 2021, being 48 hours (excluding non-Business Days) before the time appointed for holding the General Meeting. In light of on-going risks to public health associated with the COVID-19 pandemic, it is recommended that Shareholders wishing to vote on the Resolutions complete the enclosed Form of Proxy and appoint the Chairman of the General Meeting as proxy. Shareholders are strongly encouraged not to appoint any person other than the Chairman of the Meeting to act as their proxy, as that person may not be granted access to the General Meeting on the day and so their appointing Shareholder’s votes would not be counted.

Alternatively, you may appoint a proxy electronically via [www.sharevote.co.uk](http://www.sharevote.co.uk) or, if registered, via [www.shareview.co.uk](http://www.shareview.co.uk) or, if you hold your Ordinary Shares in uncertificated form (i.e. in CREST), you may appoint a proxy by completing and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the CREST Manual so that it is received by the Registrar (ID RA19) by no later than 11.00 a.m. on 30 August 2021.

Unless notice of your appointment of a proxy is received by the date and time specified above, it will be invalid.

Subject to the points noted above in respect of COVID-19, completing and posting of the Form of Proxy or completing and transmitting a CREST Proxy Instruction will not preclude you from attending and voting in person at the General Meeting if you wish to do so.

### **In respect of the Open Offer**

The latest time for acceptance by Qualifying Shareholders under the Open Offer is 11.00 a.m. (UK time) on 27 August 2021. The procedure for acceptance and payment is set out in Part IV (*Terms and Conditions of the Open Offer*) of this document. Further details also appear in the Application Form which will be sent to all

Qualifying Non CREST Shareholders (other than, subject to certain exceptions, those Qualifying Non CREST Shareholders with a registered address in the Excluded Territories).

If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or other independent financial adviser authorised under FSMA if you are in the United Kingdom or, if you are not, from another appropriately authorised independent financial adviser.

## **11. OVERSEAS SHAREHOLDERS**

The attention of Shareholders who have registered addresses outside the United Kingdom, or who are citizens or residents of countries other than the United Kingdom, or who are holding Shares for the benefit of such persons (including, without limitation, custodians, nominees, trustees and agents) or who have a contractual or other legal obligation to forward this document, an Application Form and any other document related to the Capital Raising to such persons, is drawn to the information which appears in paragraph 7 of Part IV (*Terms and Conditions of the Open Offer*) of this document. In particular, the Open Offer is not being made to Shareholders in the United States or into any other Excluded Territory.

Neither this document nor an Application Form will be sent to Shareholders with registered addresses, or who are resident or located, in an Excluded Territory or the United States, nor will the CREST stock account of Shareholders with registered addresses, or who are resident or located, in an Excluded Territory, or the United States, be credited with Open Offer Entitlements. Any person with a registered address, or who is resident or located, in the United States or any other Excluded Territory who obtains a copy of this document or an Application Form is required to disregard them.

Notwithstanding any other provision of this document or the Application Form, the terms of the Capital Raising relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by the Company in its absolute discretion.

In addition, Overseas Shareholders should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to purchase or subscribe for New Ordinary Shares.

## **12. DIVIDEND POLICY**

Subject to the provisions of the Companies Act and the Articles, the Company may pay dividends upon a recommendation by the Board and approval by a majority of the Shareholders, who have the right to decrease but not to increase the amount of the dividend recommended by the Board. Such dividends are known as final dividends and become a debt payable to Shareholders when they are approved by the Shareholders. Subject to the provisions of the Companies Act and the Articles, the Board may declare and pay dividends without Shareholder approval. Such dividends are known as interim dividends and, unlike final dividends, become a debt payable to the Shareholders only upon actual payment.

The Board understands that dividend payments are an important part of the Group's returns to Shareholders and believes in balancing those returns to Shareholders with investment in the business to support future growth. However, the Board has not declared any dividend (final or interim) for FY 2020 or a final dividend for FY 2019 for reasons of affordability and because the Company is currently restricted from paying a dividend until certain conditions of its Amended Credit Facility are satisfied (including achieving Group leverage below 1.75x trailing EBITDA). The Board does not expect that the funds received by the Group pursuant to the Capital Raising will be sufficient to reduce the leverage below 1.75x trailing EBITDA. The Board will keep the Group's dividend policy under review with the aim of reinstating the payment of dividends at an affordable and sustainable level once the Group's strategic change programme has gathered momentum and the Group has de-levered.

## **13. SHARE PLANS**

The Remuneration Committee will consider whether any adjustments should be made as a result of the Capital Raising (subject, where appropriate, to HMRC approval) to the number of Ordinary Shares subject to existing options and awards under the Share Plans. Participants in the Share Plans will be advised separately after conclusion of the Capital Raising of any such adjustments.

## **14. RISK FACTORS**

Shareholders should consider fully the section titled "*Risk Factors*" of this document.



## **15. LISTING, DEALINGS AND SETTLEMENT**

Application will be made to the FCA for the New Ordinary Shares to be issued pursuant to the Capital Raising to be admitted to the premium listing segment of the Official List and to the London Stock Exchange for the New Ordinary Shares to be issued pursuant to the Capital Raising to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective and that dealings in the New Ordinary Shares to be issued pursuant to the Capital Raising on the London Stock Exchange will commence at or shortly after 8.00 a.m. on 6 September 2021.

## **16. TAXATION**

Your attention is drawn to Part IX (*UK Taxation*) of this document. If you are in any doubt as to your tax position, you should consult your own professional adviser without delay.

## **17. WORKING CAPITAL**

In the opinion of the Company, taking into account the net proceeds of the Firm Placing (being £27.7 million (net of expenses)) the working capital available to the Company and the Group is sufficient for its present requirements (that is, for at least 12 months following the date of this document).

## **18. ADDITIONAL INFORMATION**

Your attention is drawn to the additional information contained in Part X (*Additional Information*) of this document. You should read all of the information contained in this document before deciding the action to take in respect of the General Meeting and/or the Capital Raising.

The results of the votes cast at the General Meeting will be announced as soon as possible once known through a Regulatory Information Service and on the Company's website ([www.mccollsplc.co.uk](http://www.mccollsplc.co.uk)). It is expected that this will be on 1 September 2021.

## **19. IMPORTANCE OF VOTE**

Your attention is again drawn to the fact that the Capital Raising is conditional and dependent upon, amongst other things, the Resolutions being passed at the General Meeting.

Each of the Resolutions is conditional on all of the other Resolutions being passed because (a) all of the Resolutions are required to be passed in order for the Capital Raising to complete successfully; and (b) certain of the Resolutions, if passed, would not be effective to complete the Capital Raising unless certain other Resolutions are passed. Shareholders are therefore asked to vote in favour of each of the Resolutions at the General Meeting in order for the Capital Raising to proceed.

The proceeds of the Firm Placing will enable the Group to increase and accelerate the rollout of Morrisons Daily stores, and help to improve the grocery infrastructure in the Morrisons Daily sites thus enhancing the standard of the refit and expanding the chilled offer with more refrigeration. Any proceeds raised pursuant to the Open Offer will be deployed in the best interests of the Group as a whole which, as at the date of this Prospectus, the Board intends to use to reduce the Group's financial leverage.

Each Morrisons Daily conversion provides a strong return on capital and accelerating the pace of these rollouts will provide a step-change to the profitability of the business over time. The Directors believe this will enable the business to reduce its leverage through higher profits, giving the Group the capacity to both pay down existing debt and to further invest in its estate.

### **Consequences of the Firm Placing failing to complete**

In connection with the Capital Raising, and as part of the Group's business planning, the Board has closely monitored the Group's financial forecasts, key uncertainties and sensitivities. As part of this exercise, the Board has reviewed a number of scenarios, including base case and reasonable worst case downside scenarios, which includes potential further impacts of COVID-19 on the Group's business. The base case and reasonable worst case downside scenarios reviewed by the Board include the minimum net proceeds of the Capital Raising which only include the proceeds from the Firm Placing (which is underwritten) and does not include proceeds from the Open Offer.

If the Group's results over the relevant period were to be in line with the Company's current base case scenario, it would not be in breach of the financial covenants contained in its financing documents or have insufficient liquidity headroom at any point within the 12-month period covered by the working capital

statement set out in Part X (*Additional Information*) of this document, even if the Firm Placing does not proceed. The Company confirms that its outlook remains unchanged from that outlined in the interim results statement for the twenty six weeks to 30 May 2021.

However, if a reasonable worst case downside scenario were to occur and the Firm Placing were not to proceed, and no other mitigating actions were able to be taken, then the Company's liquidity headroom would be £8.9 million lower than the required level in its financing documents which will breach the financial covenants contained in such financing documents.

Under the reasonable worst case scenario, the Group would breach the Consolidated Net Debt to EBITDA ratio covenant for the testing period ending November 2021, as the Consolidated Net Debt to EBITDA ratio on that date is forecasted in those projections to exceed the 3.5 times multiple threshold which would also constitute an event of default under the terms of the Facilities Agreement. An event of default caused by a covenant breach would give the lenders the right to immediately withdraw and cancel the Group's facility and demand repayment of all outstanding drawings on the facility which would be approximately £161.7 million as at the date of this prospectus.

A range of mitigating actions would be put in place to defer payments to creditors, reduce costs and reprioritise capital expenditure in order to conserve cash and remain within the Group's banking covenants. In this reasonable downside scenario, the headroom against the Group's covenants is such that adjusted leverage, the Group's most sensitive covenant, would show 0.1x of headroom at the lowest point. Other mitigating actions could be deployed to reduce operating costs further, such as deferring supplier and other payments and eliminating any non-essential capital expenditure. In addition, the Group could seek to secure agreement with its key suppliers and creditors to extend payment terms over critical periods and to secure advance payment of amounts due to it under its supply agreements.

There can be no assurance that the reasonable worst case downside scenario will be avoided or that the Company's low levels of liquidity headroom will be sufficient in circumstances where the Company's actual performance is below the reasonable worst case downside scenario projections. If a reasonable worst case downside scenario were to occur then, in addition to the mitigating actions set out in the paragraph above, the Directors would take mitigating actions including delaying strategic investment in Morrisons Daily sites and seeking to obtain alternative sources of funding. However, there is no certainty that the Group would be able to obtain an alternative form of funding or effect a sale of whole or part of the Group's business, on acceptable terms and within reasonable timescales.

This would leave insufficient cash resources to repay the Group's lenders in the event that the Group's creditors accelerate the payment amounts owing to them and/or continue trading. As a result, the Group could be forced into bankruptcy or liquidation, with Shareholders at risk of losing all or a substantial part of the value of their investments in the Company.

Shareholders are therefore asked to vote in favour of all of the Resolutions at the General Meeting in order for the Capital Raising to proceed. The Directors believe that successful completion of the Capital Raising is imperative for the long term sustainability of the business as the Group rapidly completes the transition to being a grocery-led business, reducing its reliance on long term declining categories such as tobacco and newspapers.

**Accordingly, the Directors believe that the Capital Raising and the Resolutions are in the best interests of the Company and its Shareholders as a whole and consider it critical that Shareholders vote in favour of all of the Resolutions, as the Directors intend to do in respect of their own beneficial holdings.**

## **20. RECOMMENDATION**

The Board has received advice from the Sponsor in connection with the Capital Raising. In providing advice to the Directors the Sponsor has relied upon the Directors' commercial assessment of the transaction.

The Board considers that the Capital Raising is of critical importance to the Group's future prospects, will promote the success of the Company and is in the best interests of its Shareholders as a whole. The Board has received financial advice from the Sponsor in relation to the Capital Raising.

The Board, which has been so advised by the Sponsor, considers that the related party transaction with Jonathan Miller by virtue of his participation in the Firm Placing is fair and reasonable as far as Shareholders are concerned. Jonathan Miller, as a related party due to his existing shareholding in the Company, has not taken part in the Board's consideration of such related party transaction. In providing advice to the Board the Sponsor has taken account of the commercial assessment of the Directors of such related party transaction.

The Board, which has been so advised by the Sponsor, considers that the related party transaction with Aberforth by virtue of Aberforth's participation in the Firm Placing is fair and reasonable so far as Shareholders are concerned. In providing advice to the Board the Sponsor has taken account of the commercial assessment of the Directors of such related party transaction.

Accordingly, the Board unanimously recommends that you vote in favour of all of the Resolutions to be proposed at the General Meeting, as the Directors intend to do in respect of their own beneficial holdings (except for Jonathan Miller and his associates in respect of the Fourth Resolution who, because of his status as a related party under the Listing Rules, must abstain from voting on that Resolution), amounting in aggregate to 12,090,353 Ordinary Shares, which represent approximately 10.49 per cent. of the total voting rights in the Company as at 11 August 2021 (being the last Business Day prior to the date of the announcement of the Capital Raising).

Yours sincerely,

Angus Porter  
*Chairman*

## PART II

### SOME QUESTIONS AND ANSWERS ABOUT THE CAPITAL RAISING

*The questions and answers set out in this Part II (Some Questions and Answers about the Capital Raising) are intended to be generic guidance only and, as such, you should read the whole of this document and in particular Part IV (Terms and Conditions of the Open Offer) of this document for full details of what action you should take. The contents of this document should not be construed as legal, business, accounting, tax, investment or any other professional advice. If you are in any doubt about the action to be taken, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank, fund manager, solicitor, accountant or other appropriate independent financial adviser duly authorised under FSMA or, if you are in a territory outside the United Kingdom, from another appropriately authorised financial advisor. This document is for your information only and nothing in this document is intended to endorse or recommend a particular course of action. The attention of Overseas Shareholders is drawn to paragraph 7 of Part IV (Terms and Conditions of the Open Offer) of this document.*

*This Part II (Some Questions and Answers about the Capital Raising) deals with general questions relating to the Capital Raising, as well as more specific questions relating to Qualifying Non-CREST Shareholders. If you hold your Ordinary Shares in uncertificated form (that is, through CREST) your attention is drawn to Part IV (Terms and Conditions of the Open Offer) of this document which contains full details of what action you should take. If you are a CREST sponsored member, you should consult your CREST sponsor.*

*If you do not know whether your Ordinary Shares are held in certificated or uncertificated form, please contact Equiniti on 0333-207-6534 or +44 333-207-6534 (if calling from outside the UK). Lines are open from 08:30 to 17:30 (UK time) Monday to Friday (excluding English and Welsh public holidays). Calls to the helpline from outside the UK will be charged at the applicable international rate. Please note that calls may be recorded and randomly monitored for security and training purposes. Please note that Equiniti cannot provide advice on the merits of the proposals nor give personal, business, financial, tax, investment or legal advice.*

#### 1. ATTENDANCE AT THE GENERAL MEETING

Your attention is drawn to paragraph 10 of Part I (*Letter from the Chairman*) of this document. In respect the COVID-19 pandemic, the Company expects to be able to welcome Shareholders in person to the General Meeting. However, due to the evolving nature of the COVID-19 pandemic, we cannot guarantee that physical attendance will be permitted by law and UK Government guidance. If such law and guidance requires us to restrict entry to the General Meeting, an announcement will be released and details will also be published on our website at [www.mccollspc.co.uk](http://www.mccollspc.co.uk).

Shareholders are encouraged to participate in the General Meeting. As such, it is recommended that Shareholders wishing to vote on the Resolutions complete the enclosed Form of Proxy and appoint the Chairman as proxy, in the manner described in paragraph 8 of Part I (*Letter from the Chairman of McColl's Retail Group plc*) of this document.

#### 2. WHAT IS A FIRM PLACING? AM I ELIGIBLE TO PARTICIPATE IN THE FIRM PLACING?

A firm placing is where specific investors agree to subscribe for firm placing shares. A firm placing provides a company with an opportunity to introduce new shareholders onto its shareholder register and is not open to all existing shareholders. The Company proposes to issue the Firm Placing Shares at a price of 20 pence per Firm Placing Share to the Firm Placees. This is the same price as for the Open Offer Shares. The Firm Placing Shares do not form part of the Open Offer and are not subject to clawback. Unless you are a Firm Placee, you will not participate in the Firm Placing.

#### 3. WHAT IS THE COMPANY'S OPEN OFFER?

This Open Offer is an invitation by the Company to Qualifying Shareholders to apply to subscribe for an aggregate of up to 25,000,000 Open Offer Shares at a price of 20 pence per Open Offer Share. If you hold Ordinary Shares at the Record Date or have a bona fide market claim, and are not, subject to certain limited exceptions, a Shareholder located in the United States or any other Excluded Territory (for further information on Overseas Shareholders, see paragraph 7 of Part IV (*Terms and Conditions of the Open Offer*) of this document), you will be entitled to subscribe for Open Offer Shares under the Open Offer.

The Open Offer is being made on the basis of 3 Open Offer Shares for every 14 Existing Ordinary Shares held by Qualifying Shareholders (other than Restricted Shareholders) at the Record Date. Applications by Qualifying Shareholders will be satisfied in full up to their Open Offer Entitlements. If your entitlement to Open Offer

Shares is not a whole number, your fractional entitlement will be disregarded in calculating your actual Open Offer Entitlement. If you hold fewer than 14 Existing Ordinary Shares, you will not receive an Open Offer Entitlement. Open Offer Shares are being offered to Qualifying Shareholders at a discount to the closing mid-market share price on the last Business Day before the Reference Date.

In addition, and subject to availability, the Excess Application Facility will enable Qualifying Shareholders who take up their Open Offer Entitlements in full to apply for any whole number of Excess Shares in excess of their Open Offer Entitlements. The Excess Application Facility will comprise Open Offer Shares that are offered to Qualifying Shareholders under the Open Offer as Open Offer Entitlements but are not taken up. Qualifying Shareholders' applications for Excess Shares will, therefore, be satisfied only to the extent that applications by other Qualifying Shareholders are made for less than their pro rata Open Offer Entitlements. All applications under the Excess Application Facility will be subject to the Excess Application Cap. If there is an over subscription resulting from excess applications, allocations of Excess Shares will be determined by the Excess Allocation Method. Further details regarding the Excess Allocation Method are set out in paragraph 1 of Part IV (*Terms and Conditions of the Open Offer*).

**Qualifying Shareholders should be aware that the Open Offer is not a rights issue. As such, Qualifying Non-CREST Shareholders should note that their Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements will be admitted to CREST, and be enabled for settlement, the Open Offer Entitlements will not be tradeable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a bona fide market claim raised by Euroclear's Claims Processing Unit.**

If a Qualifying Shareholder does not take up any of his Open Offer Entitlements, such Qualifying Shareholder's holding, as a percentage of the Enlarged Share Capital, will be diluted by approximately 60 per cent. pursuant to the Capital Raising (and assuming the Open Offer is taken up in full).

If a Qualifying Shareholder does take up all of his Open Offer Entitlements in full, such Qualifying Shareholder's holding, as a percentage of the Enlarged Share Capital, will be diluted by approximately 52 per cent. pursuant to the Capital Raising (and assuming the Open Offer is taken up in full).

Open Offer Shares for which application has not been made under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer and Qualifying Shareholders who do not apply to take up their entitlements will have no rights nor receive any benefit under the Open Offer.

Shareholders should note that the Capital Raising is conditional upon: (i) each of the First Resolution, the Second Resolution, the Third Resolution, the Fourth Resolution and the Fifth Resolution being passed by Shareholders at the General Meeting (without material amendment); (ii) the Placing and Sponsor Agreement becoming or being declared unconditional in all respects and not having been terminated in accordance with its terms prior to Admission; and (iii) Admission becoming effective by not later than 8.00 a.m. on 6 September 2021 (or such later time and/or date as Panmure Gordon, Singer Capital Markets and the Company may agree, being not later than 8.00 a.m. on 20 September 2021. Jonathan Miller and his associates will not vote on the Fourth Resolution. Aberforth and its associates will not vote on the Fifth Resolution.

Each of the Resolutions is conditional on all of the other Resolutions being passed because (a) all of the Resolutions are required to be passed in order for the Capital Raising to complete successfully; and (b) certain of the Resolutions, if passed, would not be effective to complete the Capital Raising unless certain other Resolutions are passed.

#### **4. WHEN WILL THE CAPITAL RAISING TAKE PLACE?**

The Capital Raising is subject to Admission of the New Ordinary Shares becoming effective by not later than 8.00 a.m. on 6 September 2021 or such later time and/or date as Panmure Gordon, Singer Capital Markets and the Company may agree, being not later than 8.00 a.m. on 20 September 2021.

#### **5. WHAT IS AN APPLICATION FORM?**

It is a form sent to those Qualifying Shareholders who hold their Ordinary Shares in certificated form. It sets out your Open Offer Entitlement to subscribe for the Open Offer Shares and is a form which you should complete if you want to participate in the Open Offer.

**6. WHAT IF I HAVE NOT RECEIVED AN APPLICATION FORM OR I HAVE LOST MY APPLICATION FORM?**

If you have not received an Application Form and you do not hold your Ordinary Shares in CREST, this probably means that you are not eligible to participate in the Open Offer. Some Qualifying Shareholders, however, will not receive an Application Form but may still be able to participate in the Open Offer, including:

1. Qualifying CREST Shareholders;
2. Qualifying Non-CREST Shareholders who bought Ordinary Shares before the Ex-Entitlements Date but were not registered as the holders of those Ordinary Shares at the Record Date (see question 7 below); and
3. certain Overseas Shareholders.

If you have not received an Application Form but think that you should have received one, or you have lost your Application Form, please contact Equiniti on 0333-207-6534 or +44 333-207-6534 (if calling from outside the UK). Lines are open from 08:30 to 17:30 (UK time) Monday to Friday (excluding English and Welsh public holidays). Calls to the helpline from outside the UK will be charged at the applicable international rate. Please note that calls may be recorded and randomly monitored for security and training purposes. Please note that Equiniti cannot provide advice on the merits of the proposals nor give personal, business, financial, tax, investment or legal advice.

**7. IF I BOUGHT ORDINARY SHARES BEFORE 13 AUGUST 2021 (THE EX-ENTITLEMENTS DATE) WILL I BE ELIGIBLE TO PARTICIPATE IN THE OPEN OFFER?**

If you bought Ordinary Shares before the Ex-Entitlements Date but you were not registered as the holder of those Ordinary Shares at the Record Date you may still be eligible to participate in the Open Offer. If you are in any doubt, please consult your stockbroker, bank or other appropriate financial adviser, or whoever arranged your share purchase, to ensure you claim your entitlement. You will not be entitled to the Open Offer Shares in respect of any Ordinary Shares acquired on or after the Ex-Entitlements Date.

**8. I HOLD MY ORDINARY SHARES IN UNCERTIFICATED FORM IN CREST. WHAT DO I NEED TO DO IN RELATION TO THE OPEN OFFER?**

CREST members should follow the instructions set out in Part IV (*Terms and Conditions of the Open Offer*) of this document. Persons who hold Ordinary Shares through a CREST member should be informed by the CREST member through which they hold their Ordinary Shares of the Open Offer Shares which they are entitled to take up under the Open Offer and should contact them if they do not receive this information.

**9. I HOLD MY ORDINARY SHARES IN CERTIFICATED FORM. HOW DO I KNOW I AM ELIGIBLE TO PARTICIPATE IN THE OPEN OFFER?**

If you receive an Application Form, are not a Shareholder with a registered address in a Excluded Territory, and are not physically located in the United States or any other Excluded Territory, then you should be eligible to participate in the Open Offer as long as you have not sold all of your Ordinary Shares before the Ex-Entitlements Date.

Shareholders located in, or who are citizens of, or who have an address in, a jurisdiction other than the United Kingdom will be subject to the laws of that jurisdiction and their ability to participate in the Open Offer may be affected accordingly. Shareholders who are located in, or who are citizens of, or who have an address in a jurisdiction outside of the United Kingdom should read paragraph 7 of Part IV (*Terms and Conditions of the Open Offer*) of this document and should take professional advice as to whether they are eligible and/or need to observe any formalities to enable them to take up the Open Offer Entitlement.

**10. I HOLD MY ORDINARY SHARES IN CERTIFICATED FORM. HOW DO I KNOW HOW MANY NEW ORDINARY SHARES I AM ENTITLED TO TAKE UP?**

If you hold your Ordinary Shares in certificated form and, subject to certain limited exceptions, do not have a registered address in the United States or any other Excluded Territory, you will be sent an Application Form that shows:

- in Box 1, how many Ordinary Shares you held at the Record Date;
- in Box 2, how many New Ordinary Shares are comprised in your Open Offer Entitlement; and

- in Box 3, how much you need to pay in Pounds Sterling if you want to take up your right to subscribe for all of your Open Offer Entitlements.

If you would like to apply for any or all of the Open Offer Shares in your Open Offer Entitlement and any Excess Shares pursuant to the Excess Application Facility, you should complete the Application Form in accordance with the instructions printed on it and the information provided in this document. Completed Application Forms should be posted, along with a cheque or banker's draft drawn in the appropriate form, in the accompanying prepaid envelope to Equiniti, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA so as to be received by no later than 11.00 a.m. on 27 August 2021, after which time Application Forms will not be valid.

## **11. WHAT IF I HOLD OPTIONS AND AWARDS UNDER THE SHARE PLANS?**

Participants in the Share Plans will be advised separately of adjustments (if any) to their rights.

## **12. I HOLD MY EXISTING ORDINARY SHARES IN CERTIFICATED FORM AND AM ELIGIBLE TO RECEIVE AN APPLICATION FORM. WHAT ARE MY CHOICES IN RELATION TO THE OPEN OFFER?**

### ***12.1 If you do not want to take up your Open Offer Entitlement***

If you do not want to take up your Open Offer Entitlement you do not need to do anything. In these circumstances, you will not receive any Open Offer Shares. You cannot sell your Open Offer Entitlement to anyone else.

If you do not take up your Open Offer Entitlement then following the issue of the New Ordinary Shares pursuant to the Capital Raising, your interest in the Company will be diluted by approximately 60 per cent. (assuming that the Open Offer is taken up in full).

### ***12.2 If you want to take up some but not all of the Open Offer Shares under your Open Offer Entitlement***

If you want to take up some but not all of the Open Offer Shares under your Open Offer Entitlement, you should write the number of Open Offer Shares you want to take up in Box 4 of your Application Form; for example, if you have an Open Offer Entitlement for 50 Open Offer Shares but you only want to apply for 25 Open Offer Shares, then you should write '25' in Box 4. To work out how much you need to pay for the Open Offer Shares, you need to multiply the number of Open Offer Shares you want (in this example, '25') by 20 pence (the Offer Price) giving you an amount of £5.00 in this example.

You should write this total sum in Box 7, rounding down to the nearest whole pence, and this should be the amount your cheque or banker's draft is made out for. You should then return the completed Application Form, together with a cheque or banker's draft for that amount, in the accompanying pre-paid envelope by post to Equiniti, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA so as to be received by no later than 11.00 a.m. on 27 August 2021, after which time Application Forms will not be valid. If you post your Application Form by first class post, it is recommended that you allow at least four Business Days for delivery.

All payments should be in Pounds Sterling and made by cheque or banker's draft made payable to 'Equiniti Limited re McColl's Retail Group plc Open Offer' and crossed 'A/C payee only'. Cheques or banker's drafts must be drawn on an account at a bank or building society or a branch of a bank or building society which is in the UK, the Channel Islands or the Isle of Man and which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques or banker's drafts to be cleared through the facilities provided by either of those companies. Cheques and banker's drafts must bear the appropriate sorting code number in the top right-hand corner and must be for the full amount payable on application. Post-dated cheques will not be accepted.

Cheques drawn on a non-UK bank will be rejected. Third party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has inserted details of the name of the account holder and have either added the building society or bank branch stamp or have provided a supporting letter confirming the source of funds. The account name should be the same as that shown on the application. Cheques or banker's drafts will be presented for payment upon receipt. Payments via CHAPS, BACS or electronic transfer will not be accepted. The Company reserves the right to instruct Equiniti to seek special clearance of cheques and banker's drafts to allow the Company to

obtain value for remittances at the earliest opportunity. No interest will be paid on payments made before they are due. It is a term of the Open Offer that cheques shall be honoured on first presentation and the Company may elect to treat as invalid acceptances in respect of which cheques are not so honoured. All documents, cheques and banker's drafts sent through the post will be sent at the risk of the sender.

A definitive share certificate will then be sent to you for the New Ordinary Shares that you take up. Your definitive share certificate for Open Offer Shares is expected to be despatched to you within ten Business Days of Admission.

### ***12.3 If you want to take up all of your Open Offer Entitlement***

If you want to take up all of the Open Offer Shares available to you through your Open Offer Entitlement, all you need to do is complete Box 4 and Box 7 and sign page 2 of the Application Form (ensuring that all joint holders sign (if applicable)) and send the Application Form, together with your cheque or banker's draft for the amount (as indicated in Box 3 of your Application Form), payable to 'Equiniti Limited re McColl's Retail Group plc Open Offer' and crossed 'A/C payee only', in the accompanying pre-paid envelope by post to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA so as to be received by no later than 11.00 a.m. on 27 August 2021, after which time Application Forms will not be valid. If you post your Application Form by first class post, it is recommended that you allow at least four Business Days for delivery.

A definitive share certificate will then be sent to you for the Open Offer Shares that you take up. Your definitive share certificate for Open Offer Shares is expected to be despatched to you within 14 days of Admission of the Open Offer Shares.

### ***12.4 If you want to take up Excess Shares pursuant to the Excess Application Facility***

If you have taken up all of your Open Offer Entitlements and you want to apply for Excess Shares you may do so by completing Boxes 4, 5, 6, and 7 of the Application Form. However, the maximum number of Open Offer Shares to be issued is fixed and will not be increased in response to any applications under the Excess Application Facility. Applications under the Excess Application Facility will therefore only be satisfied to the extent of any basic entitlements not taken up by other Qualifying Shareholders. Applications under the Excess Application Facility shall be allocated in such manner as the Directors may determine, in their absolute discretion, and no assurance can be given that the applications by Qualifying Shareholders will be met in full or in part or at all.

If there is an over subscription resulting from excess applications, allocations of Excess Shares will be determined by the Excess Allocation Method. Further details regarding the Excess Allocation Method are set out in paragraph 1 of Part IV (*Terms and Conditions of the Open Offer*). Excess monies will be returned as soon as reasonably practicable thereafter, without payment of interest and at the applicant's sole risk. In this event, Qualifying Non-CREST Shareholders will receive the refund either as a cheque by first class post to the address set out on the Application Form or returned direct to the account of the bank or building society on which the relevant cheque or banker's draft was drawn, as soon as practicable, not later than 10 Business Days following the date on which the results of the Capital Raising are announced.

Each Qualifying CREST Shareholder will also receive a credit to his or her CREST Stock Account of his or her Excess CREST Open Offer Entitlement which will be equal to 10 times their balance of Existing Ordinary Shares held at the Record Date. Qualifying CREST Shareholders should note that this is not a cap on the maximum number of Excess Shares they can apply for and if they wish to apply for more Excess Shares than the Excess CREST Open Offer Entitlements they have been credited then they should contact the Shareholder helpline on 0333-207-6534 from within the United Kingdom or +44 333-207-6534 if calling from outside of the United Kingdom to request an increased credit, ensuring to leave sufficient time for the additional Excess CREST Open Offer Entitlements to be credited to their account and for an application to be made in respect of those Excess CREST Open Offer Entitlements before the application deadline. Entitlements to Open Offer Shares will be rounded down to the nearest whole number (or zero) and any Open Offer Entitlements have been rounded down accordingly.

### ***12.5 If I buy Existing Ordinary Shares after the Record Date, will I be eligible to participate in the Open Offer?***

If you bought your Existing Ordinary Shares after the Record Date, you are unlikely to be able to participate in the Open Offer in respect of such Existing Ordinary Shares. If you are in any doubt, please consult your stockbroker, bank manager or other appropriate financial adviser, or whoever arranged your



share purchase. If you buy Existing Ordinary Shares on or after 6.00 p.m. on 10 August 2021, you will not be able to participate in the Open Offer in respect of such Existing Ordinary Shares.

**13. I AM A QUALIFYING SHAREHOLDER, DO I HAVE TO APPLY FOR ALL THE OPEN OFFER SHARES I AM ENTITLED TO APPLY FOR?**

You can take up any number of the Open Offer Shares allocated to you under your Open Offer Entitlement, and you can also apply for Excess Shares pursuant to the Excess Application Facility provided you have taken up your Open Offer Entitlement in full. Your maximum Open Offer Entitlement is shown on your Application Form in Box 2.

Any applications by a Qualifying Shareholder for a number of Open Offer Shares which is equal to or less than that person's Open Offer Entitlement will be satisfied, subject to the Open Offer becoming unconditional. If you decide not to take up all of the Open Offer Shares comprised in your Open Offer Entitlement, then your proportion of the ownership and voting interest in the Company will be reduced to a greater extent than if you had decided to take up your full entitlement. Please refer to the answers to questions 12.1, 12.2, 12.3 and 12.4 for further information.

If there is an over subscription resulting from excess applications, allocations of Excess Shares will be determined by the Excess Allocation Method. Further details regarding the Excess Allocation Method are set out in paragraph 1 of Part IV (*Terms and Conditions of the Open Offer*).

**14. WILL I HAVE TO PAY ANY FEES FOR TAKING UP MY OPEN OFFER ENTITLEMENT?**

There will be no fee payable by you for taking up your Open Offer Entitlement (the only payment required is payment of an amount equal to the number of Open Offer Shares taken up by you, multiplied by the Offer Price).

**15. WILL I BE TAXED IF I TAKE UP MY ENTITLEMENTS?**

If you are resident in the UK for UK tax purposes, you will not have to pay UK tax when you take up your right to receive New Ordinary Shares, although the Capital Raising may affect the amount of UK tax you pay when you sell your Ordinary Shares.

Further information for Qualifying Shareholders who are resident in the UK for UK tax purposes is contained in Part IX (*UK Taxation*) of this document. Shareholders who are in any doubt as to their tax position or who are subject to tax in any jurisdiction other than the United Kingdom should consult their professional advisers immediately.

**16. WHAT SHOULD I DO IF I LIVE OUTSIDE THE UNITED KINGDOM?**

Your ability to apply to subscribe for Open Offer Shares may be affected by the laws of the country in which you live and you should take professional advice as to whether you require any governmental or other consents or need to observe any other formalities to enable you to take up your Open Offer Entitlement. Shareholders with registered addresses or who are located in the United States or any other Excluded Territory are not eligible to participate in the Open Offer. Your attention is drawn to the information in paragraph 7 of Part IV (*Terms and Conditions of the Open Offer*) of this document.

**17. WILL THE CAPITAL RAISING AFFECT MY DIVIDENDS ON THE EXISTING ORDINARY SHARES?**

The New Ordinary Shares will, when issued and fully paid, rank equally in all respects with the Existing Ordinary Shares, including with regard to the right to receive all dividends or other distributions made, paid or declared, if any, by reference to a record date after the date of their issue.

Please note however that the Board has not declared any dividend (final or interim) for FY 2020 or a final dividend for FY 2019 for reasons of affordability and because the Company is currently restricted from paying a dividend until certain conditions of its Amended Credit Facility are satisfied (including achieving Group leverage below 1.75x trailing EBITDA). The Board does not expect that the funds received by the Group pursuant to the Capital Raising will be sufficient to reduce the leverage below 1.75x trailing EBITDA. The Board will keep the Group's dividend policy under review with the aim of reinstating the payment of dividends at an affordable and sustainable level once the Group's strategic change programme has gathered momentum and the Group has de-levered.

#### **18. WHAT IF I CHANGE MY MIND?**

If you are a Qualifying Non-CREST Shareholder, once you have sent your Application Form and payment to the Registrar you cannot withdraw your application or change the number of Open Offer Shares for which you have applied, except in very limited circumstances which are set out in paragraph 7 of Part IV (*Terms and Conditions of the Open Offer*) of this document.

#### **19. WHAT SHOULD I DO IF I NEED FURTHER ASSISTANCE?**

If you have any other questions, please contact Equiniti on 0333-207-6534 or +44 333-207-6534 (if calling from outside the UK). Lines are open from 08:30 to 17:30 (UK time) Monday to Friday (excluding English and Welsh public holidays). Calls to the helpline from outside the UK will be charged at the applicable international rate. Please note that, for legal reasons, Equiniti are only able to provide information contained in this document (other than information relating to the Company's register of members) and, as such, will be unable to give advice on the merits of the Capital Raising or to provide financial advice. Equiniti staff can explain the options available to you, which forms you need to fill in and how to fill them in correctly.

Your attention is drawn to the further terms and conditions of the Open Offer set out in Part IV (*Terms and Conditions of the Open Offer*).

**The contents of this document or any subsequent communication from the Company, Panmure Gordon, Singer Capital Markets, or any of their respective affiliates, officers, directors, employees or agents are not to be construed as legal, financial or tax advice. Each prospective investor should consult his, her or its own solicitor, independent financial adviser or tax adviser for legal, financial or tax advice.**

**PART III**  
**INFORMATION ON THE NEW ORDINARY SHARES**

**1. DESCRIPTION OF THE TYPE AND CLASS OF SECURITIES ADMITTED**

The New Ordinary Shares will be Ordinary Shares with a nominal value of £0.001 each. The ISIN for the New Ordinary Shares will be that of the Existing Ordinary Shares, being GB00BJ3VW957. The New Ordinary Shares will be created under the Companies Act and the Articles of Association.

The New Ordinary Shares will be credited as fully paid and will be issued free from all liens, equities, charges, encumbrances and other interests, and rank in full for all dividends or other distributions thereafter declared, made or paid on the share capital of the Company, save in respect of any dividend or distribution with a record date falling before the date of the issue of the New Ordinary Shares.

**2. LISTING**

Application has been made to the FCA and to the London Stock Exchange for the New Ordinary Shares to be admitted to the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities. Admission is expected to become effective and dealings commence on the London Stock Exchange in the New Ordinary Shares at 8.00 a.m. on 6 September 2021. Listing of the New Ordinary Shares will not be sought on any stock exchange in connection with the Capital Raising other than the London Stock Exchange.

**3. FORM AND CURRENCY OF THE NEW ORDINARY SHARES**

The New Ordinary Shares resulting from the Capital Raising will be issued in registered form and will be capable of being held in certificated and uncertificated form.

Title to the certificated New Ordinary Shares will be evidenced by entry in the register of members of the Company and title to uncertificated New Ordinary Shares will, in respect of Shareholders, be evidenced by entry in the operator register maintained by Euroclear UK (which forms part of the register of the Company). The registrars of the Company are Equiniti.

If any New Ordinary Shares are converted from uncertificated to certificated form, share certificates will be issued in respect of those shares in accordance with the Articles and applicable legislation.

The New Ordinary Shares will be denominated in Pounds Sterling.

**4. RIGHTS ATTACHED TO THE NEW ORDINARY SHARES**

The Articles of the Company are available for inspection on the Company's website as specified in paragraph 17 of Part X (*Additional Information*).

*Share rights*

Subject to and in accordance with the provisions of the Companies Act, the Company may issue redeemable shares. Without prejudice to any special rights previously conferred on the holders of any Existing Shares, any share may be issued on terms that they are, at the option of the Company or a member liable, to be redeemed on such terms and in such manner as may be determined by the Board (such terms to be determined before the shares are allotted).

Subject to the provisions of the Articles and the Companies Act, the power of the Company to offer, allot and issue any unissued shares and any shares lawfully held by the Company or on its behalf (such as shares held in treasury) shall be exercised by the Board at such time and for such consideration and upon such terms and conditions as the Board shall determine.

The Company may by ordinary resolution alter its share capital in accordance with the Companies Act. The resolution may determine that, as between the holders of shares resulting from the sub-division, any of the shares may have any preference or advantage or be subject to any restriction as compared with the others.

There is no right of conversion or redemption attached to the New Ordinary Shares.

*Voting rights*

Subject to any special terms as to voting upon which any shares may be issued, or may for the time being be held and any restriction on voting referred to below, every shareholder present in person or by proxy at a

general meeting of the Company shall have one vote on a show of hands and, on a poll, every shareholder present in person or by proxy shall have one vote for every New Ordinary Share of which he is the holder.

The duly authorised representative of a corporate shareholder may exercise the same powers on behalf of that corporation as it could exercise if it were an individual shareholder.

A shareholder is not entitled to vote unless all calls due from him have been paid.

A shareholder is also not entitled to attend or vote at meetings of the Company in respect of any shares held by him in relation to which he or any other person appearing to be interested in such shares has been duly served with a notice under section 793 of the Companies Act and, having failed to comply with such notice within the period specified in such notice (being not less than 28 days from the date of service of such notice), is served with a disenfranchisement notice. Such disenfranchisement will apply only for so long as the notice from the Company has not been complied with or until the Company has withdrawn the disenfranchisement notice, whichever is the earlier.

#### *Restrictions*

A shareholder is not entitled to vote at any general meeting or at any separate meeting of the holders of any class of shares, or exercise any other right conferred by membership at any general meeting or at any separate meeting of the holders of any class of shares, either in person or by proxy, in respect of any share held by them unless all amounts presently payable by them in respect of that share have been paid.

If any member, or any other person appearing to be interested in shares held by such member, has been duly served with a notice under section 793 of the Act and is in default for the prescribed period in supplying to the Company the information thereby required, then (unless the Board otherwise determines) in respect of the shares in relation to which the default occurred and any other shares held by the member, the member will not be entitled (for so long as the default continues) to attend or vote either personally or by proxy at a general meeting or at a separate meeting of the holders of that class of shares or to exercise any other right conferred by membership in relation to general meetings or separate meetings of the holders of any class of shares of the Company.

#### *Pre-emption rights*

There are no pre-emption rights under the Articles in respect of transfers of Shares. In certain circumstances Shareholders may have statutory pre-emption rights as provided for by the Act (save to the extent not previously disapplied by Shareholders). These statutory pre-emption rights would require the Company to offer new shares for allotment for cash to existing Shareholders on a pro rata basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such shares would be offered to Shareholders.

#### *Capitalisation of reserves or profits*

The Directors may, with the sanction of an ordinary resolution of the Company, capitalise any sum standing to the credit of any of the Company's reserve accounts or any sum standing to the credit of the Company's profit and loss account, in each case provided such sum is not required for paying any preferential dividend (whether or not available for distribution). The Directors will appropriate the capitalised sum to the holders of Shares proportionately in accordance with their shareholdings in the form of an allotment of fully paid-up bonus shares.

#### *Return of capital*

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

#### *Variation of rights*

Subject to the Companies Act, all or any of the rights attached to any class of share may (unless otherwise provided by the terms of issue of shares of that class) be varied (whether or not the Company is being wound up) either with the written consent of the holders of not less than three-quarters in nominal value of the issued

shares of that class or with the sanction of a special resolution passed at a separate general meeting of such holders. The quorum at any such general meeting is two persons holding or representing by proxy at least one-third in nominal value of the issued shares of that class and at an adjourned meeting the quorum is one holder present in person or by proxy, whatever the amount of his shareholding. Any holder of shares of the class in question present in person or by proxy may demand a poll. Every holder of shares of the class shall be entitled, on a poll, to one vote for every share of the class held by him. Except as mentioned above, such rights shall not be varied.

#### *Transfer of shares*

The New Ordinary Shares will be in registered form and will be capable of being held in certificated and uncertificated form. The Articles provide for shares to be held in CREST accounts, or through another system for holding shares in uncertificated form, such shares being referred to as “Participating Securities”. Subject to such of the restrictions in the Articles as shall be applicable, any member may transfer all or any of his shares. In the case of shares represented by a certificate (“**Certificated Shares**”), the transfer shall be made by an instrument of transfer in the usual form or in any other form which the Board may approve. A transfer of a Participating Security need not be in writing, but shall comply with such rules as the Board may make in relation to the transfer of such shares, a CREST transfer being acceptable under the current rules.

The instrument of transfer of a Certificated Share shall be executed by or on behalf of the transferor and (in the case of a partly paid share) by or on behalf of the transferee, and the transferor is deemed to remain the holder of the share until the name of the transferee is entered in the register of members.

The Board may, in its absolute discretion and without assigning any reason therefore, refuse to register any instrument of transfer of shares, all or any of which are not fully paid.

The Board may also refuse to register a transfer unless:

- a) in the case of a Certificated Share, the instrument of transfer, duly stamped (if required) is lodged at the registered office of the Company or at some other place as the Board may appoint accompanied by the relevant share certificate and such other evidence of the right to transfer as the Board may reasonably require;
- b) in the case of a Certificated Share, the instrument of transfer is in respect of only one class of share; and
- c) in the case of a transfer to joint holders of a Certificated Share, the transfer is in favour of not more than four such transferees.

The Board may also decline to register a transfer of shares if they represent not less than 0.25 per cent. by number of their class and there has been a failure to comply with a notice requiring disclosure of interests in the shares (as referred to in paragraph 4.8 below) unless the shareholder has not, and proves that no other person has, failed to supply the required information. Such refusal may continue until the failure has been remedied, but the Board shall not decline to register:

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

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the Articles or the conditions of issue of such shares, be deemed to be varied by the creation or issue of new shares ranking *pari passu* therewith or subsequent thereto.

## **5. DIVIDENDS**

The New Ordinary Shares will rank *pari passu* with the Existing Ordinary Shares and will rank in full for all dividends and distributions thereafter declared, made or paid on the share capital of the Company, save in respect of any dividend or distribution with a record date falling before the date of the issue of the New Ordinary Shares.

Subject to the Companies Act, the Company may, by ordinary resolution, declare dividends to be paid to members of the Company according to their rights and interests in the profits of the Company available for distribution, but no dividend shall be declared in excess of the amount recommended by the Board. Subject to the provisions of the Companies Act and the Articles, the Board may declare and pay dividends without Shareholder approval. Such dividends are known as interim dividends and, unlike final dividends, become a debt payable to the Shareholders only upon actual payment.

Except insofar as the rights attaching to, or the terms of issue of, any share otherwise provide (no such shares presently being in issue), all dividends shall be apportioned and paid pro rata according to the amounts paid or credited as paid up (other than in advance of calls) on the shares during any portion or portions of the period in respect of which the dividend is paid.

Any dividend unclaimed after a period of 12 years from the date of declaration shall be forfeited and shall revert to the Company.

The Board may withhold dividends payable on shares representing not less than 0.25 per cent. by number of the issued shares of any class after there has been a failure to comply with any notice under section 793 of the Companies Act requiring the disclosure of information relating to interests in the shares concerned.

The Board understands that dividend payments are an important part of the Group’s returns to Shareholders and believes in balancing those returns to Shareholders with investment in the business to support future growth. However, the Board has not declared any dividend (final or interim) for FY 2020 or a final dividend for FY 2019 for reasons of affordability and because the Company is currently restricted from paying a dividend until certain conditions of its Amended Credit Facility are satisfied (including achieving Group leverage below 1.75x trailing EBITDA). The Board does not expect that the funds received by the Group pursuant the Capital Raising will be sufficient to reduce the leverage below 1.75x trailing EBITDA. The Board will keep the Group’s dividend policy under review with the aim of reinstating the payment of dividends at an affordable and sustainable level once the Group’s strategic change programme has gathered momentum and the Group has delivered.

Dividends are declared and paid in Pounds Sterling to registered Shareholders.

The dividends (in pence) paid on the Ordinary Shares in respect of the last three years were as follows:

	<u>Dividend per Ordinary Share (pence)</u>
2020 final dividend . . . . .	0
2020 interim dividend . . . . .	0
2019 final dividend . . . . .	0
2019 interim dividend . . . . .	1.3
2018 final dividend . . . . .	0.6
2018 interim dividend . . . . .	3.4

**6. AUTHORISATIONS RELATING TO THE NEW ORDINARY SHARES**

The New Ordinary Shares are being allotted under the authority to be obtained by the passing of the First Resolution and the Second Resolution at the General Meeting.

**7. MANDATORY TAKEOVER BIDS, SQUEEZE-OUT AND SELL-OUT RULES**

The Company is subject to the City Code on Takeovers and Mergers. Other than as provided by the City Code on Takeovers and Mergers and Chapter 3 of Part 28 of the Companies Act, there are no rules or provisions relating to mandatory bids and/or squeeze out and sell-out rules relating to Ordinary Shares.

**8. PUBLIC TAKEOVER BIDS IN THE LAST AND CURRENT FINANCIAL YEAR**

There have been no public takeover bids by third parties in respect of the share capital of the Company in the last or current financial year.

**9. TAXATION**

Please see paragraph 1 of Part IX (*UK Taxation*) for information relating to UK taxation (including a discussion of UK stamp duty and SDRT which is relevant to holders of New Ordinary Shares, irrespective of their tax residence).

**PART IV**  
**TERMS AND CONDITIONS OF THE OPEN OFFER**

**INTRODUCTION**

As explained in Part I (*Letter from the Chairman*), the Board is proposing to raise £30 million (before expenses) by the issue of 150,000,000 New Ordinary Shares at the Offer Price pursuant to the Firm Placing and up to £5 million (before expenses) through the issue of 25,000,000 New Ordinary Shares pursuant to the Open Offer.

The Open Offer is an opportunity for Qualifying Shareholders to apply for in aggregate up to 25,000,000 Open Offer Shares pro rata to their current holdings at the Offer Price in accordance with the terms of the Open Offer.

Qualifying Shareholders who take up their Open Offer Entitlements in full may apply to subscribe for Excess Shares using the Excess Application Facility. Qualifying Non-CREST Shareholders wishing to apply to subscribe for Excess Shares may do so by completing the relevant sections on the Application Form. Qualifying CREST Shareholders who wish to and are able to apply to subscribe for more than their Open Offer Entitlements will have Excess Open Offer Entitlements credited to their stock account in CREST and should refer to paragraph 3 of this Part IV for information on how to apply for Excess Shares pursuant to the Excess Application Facility.

The Excess Application Facility will comprise Open Offer Shares that are offered to Qualifying Shareholders under the Open Offer as Open Offer Entitlements but are not taken up. Qualifying Shareholders' applications for Excess Shares will, therefore, be satisfied only to the extent that applications by other Qualifying Shareholders are made for less than their pro rata Open Offer Entitlements. All applications under the Excess Application Facility will be subject to the Excess Application Cap. If there is an over subscription resulting from excess applications, allocations of Excess Shares will be determined by the Excess Allocation Method. Further details regarding the Excess Allocation Method are set out in paragraph 1 of Part IV (*Terms and Conditions of the Open Offer*).

The Offer Price of 20 pence per New Ordinary Share represents an approximate 31.03 per cent. discount to the Closing Price of 29 pence per Ordinary Share on the Reference Date.

The Capital Raising is conditional upon: (i) each of the Resolutions, being passed by eligible Shareholders at the General Meeting (without material amendment); (ii) the Placing and Sponsor Agreement becoming or being declared unconditional (save in respect of Admission); and (iii) Admission becoming effective by not later than 8.00 a.m. on 6 September 2021 or such later time and/or date as Panmure Gordon, Singer Capital Markets and the Company may agree (being not later than 8.00 a.m. on 20 September 2021).

The New Ordinary Shares will be in registered form and capable of being held in certificated form or uncertificated form in CREST. The New Ordinary Shares issued pursuant to the Capital Raising will together represent approximately 60.3 per cent. of the Enlarged Share Capital of the Company immediately following the Capital Raising.

The New Ordinary Shares will, when issued and fully paid, rank equally in all respects with Existing Ordinary Shares, including the right to receive all dividends or other distributions declared, if any, by reference to a record date after the date of their issue.

Application will be made to the FCA for the New Ordinary Shares to be issued pursuant to the Capital Raising to be admitted to the premium listing segment of the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted for trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective and that dealings in the New Ordinary Shares to be issued pursuant to the Capital Raising will commence at 8.00 a.m. on 6 September 2021.

The Existing Ordinary Shares are already admitted to the premium listing segment of the Official List, to trading on the London Stock Exchange's main market for listed securities and to CREST.

Any Qualifying Shareholder who has sold or transferred all or part of their registered holdings of the Existing Ordinary Shares prior to the close of business on 10 August 2021 is advised to consult with his, her or its stockbroker, bank or other agent through or to whom the sale or transfer was effected as soon as possible since the invitation to apply for New Ordinary Shares under the Open Offer may be a benefit which may be claimed from him/her by the purchaser under the Rules of the London Stock Exchange.

## 1. TERMS AND CONDITIONS OF THE OPEN OFFER

### *Open Offer Entitlements*

Subject to the terms and conditions set out below (and, in the case of Qualifying Non-CREST Shareholders, the Application Form), and pursuant to the Placing and Sponsor Agreement, each Qualifying Shareholder (other than, subject to certain exemptions) who is not a Restricted Shareholder is being given an opportunity to apply for Open Offer Shares at the Offer Price (payable in full on application and free of all expenses) on the following pro rata basis:

### **3 Open Offer Share for every 14 Existing Ordinary Shares**

held and registered in their name at the Record Date and so on in proportion to any other number of Existing Ordinary Shares then held.

Qualifying Shareholders may apply for any whole number of New Ordinary Shares. Applications by Qualifying Shareholders will be satisfied in full up to their Open Offer Entitlements. Fractional entitlements will be disregarded in calculating Qualifying Shareholders' Open Offer Entitlements. Accordingly, Qualifying Shareholders holding fewer than 14 Existing Ordinary Shares will not receive an Open Offer Entitlement. Holders of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate accounts for the purposes of calculating Qualifying Shareholders' entitlements under the Open Offer, as will holdings under different designations and in different accounts.

### *Excess Application Facility*

Qualifying Shareholders who take up their Open Offer Entitlements in full may apply to subscribe for Excess Shares using the Excess Application Facility. Qualifying Non-CREST Shareholders wishing to apply to subscribe for Excess Shares may do so by completing the relevant sections on the Application Form. Qualifying CREST Shareholders who wish to and are able to apply to subscribe for more than their Open Offer Entitlements will have Excess Open Offer Entitlements credited to their stock account in CREST, and should refer to paragraph 3 of this Part IV for information on how to apply for Excess Shares pursuant to the Excess Application Facility.

The Excess Application Facility will comprise Open Offer Shares that are offered to Qualifying Shareholders under the Open Offer as Open Offer Entitlements but are not taken up. Qualifying Shareholders' applications for Excess Shares will, therefore, be satisfied only to the extent that applications by other Qualifying Shareholders are made for less than their pro rata Open Offer Entitlements. All applications under the Excess Application Facility will be subject to the Excess Application Cap. If there is an over subscription resulting from excess applications, allocations of Excess Shares will be determined by the Excess Allocation Method. Further details regarding the Excess Allocation Method are set out below.

Each Qualifying Shareholder's application under the Excess Application Facility will be subject to the Excess Application Cap which shall be calculated as follows (the "**Excess Application Cap**"):

- a) the number of available Excess Shares  
multiplied by
- b) the number of Ordinary Shares held by the relevant Excess Share Applicant on the Record Date divided by the aggregate number of Ordinary Shares held by all Excess Share Applicants (subject to any resulting fractions of Excess Shares being rounded down to the nearest whole number)  
plus, *in respect only* of those Excess Share Applicants whose applications for Excess Shares exceed the product of (a) and (b) above (the "**Excess Allocation Method**"):
- c) the aggregate number (if any) of Open Offer Shares, by which individual applications for Excess Shares by Excess Share Applicants fall short of the respective products of (a) and (b) above  
multiplied by
- d) the number of Ordinary Shares held by the relevant Excess Share Applicant on the Record Date divided by the aggregate number of Ordinary Shares held by all Excess Share Applicants whose applications exceed the respective products of (a) and (b) above (subject to any resulting fractions of Excess Shares being rounded down to the nearest whole number).

Any Excess Shares for which there is insufficient demand to be allocated to any Qualifying Shareholder under the above mechanism will not be issued.



Applications under the Excess Application Facility will be scaled back in accordance with the Excess Application Cap. As a result, no assurance can be given that the applications for Excess Shares by Qualifying Non-CREST Shareholders will be met in full or in part or at all. Excess monies in respect of applications which are not met in full will be returned to the applicant (at the applicant's risk) without interest as soon as practicable thereafter by way of cheque or CREST payment, as appropriate.

The Company will meet all applications from Qualifying Shareholders under the Excess Application Facility, subject to pro rata scaling as may be necessary due to demand, as mentioned above.

**Shareholders should be aware that the Open Offer is not a rights issue. As such, Qualifying Non-CREST Shareholders should note that their Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should further note that, although the Open Offer Entitlements and Excess Open Offer Entitlements will be admitted to CREST, and be enabled for settlement, the Open Offer Entitlements and Excess Open Offer Entitlements will not be tradeable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a bona fide market claim. Open Offer Shares not taken up by Shareholders under the Open Offer will be allocated to Qualifying Shareholders who apply under the Excess Application Facility (in accordance with the Excess Allocation Method) with the proceeds ultimately accruing for the benefit of the Company.**

**The attention of Shareholders and any persons (including, without limitation, custodians, nominees and trustees) who have a contractual or other legal obligation to forward this document or an Application Form into a jurisdiction other than the UK is drawn to paragraph 7 of this Part IV (*Terms and Conditions of the Open Offer*) relating to Overseas Shareholders, which forms part of the terms and conditions of the Capital Raising. In particular, Restricted Shareholders will not be sent the Application Form. Unless instructed otherwise by the Company or the Joint Bookrunners, if you are resident or located in, or have a registered address in the United States and receive an Application Form, please destroy the Application Form.**

The New Ordinary Shares will rank *pari passu* in all respects with the Existing Ordinary Shares. The New Ordinary Shares are not being made available in whole or in part to the public except under the terms of the Open Offer.

The Open Offer is conditional, inter alia, upon: (i) each of the First Resolution, the Second Resolution, the Third Resolution, the Fourth Resolution and the Fifth Resolution being passed by Shareholders at the General Meeting (without material amendment); (ii) the Placing and Sponsor Agreement becoming unconditional (save in respect of Admission); and (iii) Admission becoming effective by not later than 8.00 a.m. on 6 September 2021 (or such later time and/or date as the Company and the Joint Bookrunners may agree, being not later than 8.00 a.m. on 20 September 2021).

In the event that these conditions are not satisfied, the Capital Raising will not proceed. In such circumstances, application monies will be returned (at the applicant's sole risk) without payment of interest, as soon as practicable thereafter. No temporary documents of title will be issued in respect of the New Ordinary Shares held in uncertificated form. Definitive certificates in respect of New Ordinary Shares taken up are expected to be posted to the Qualifying Shareholders who have validly elected to hold their New Ordinary Shares in certificated form within ten Business Days of Admission. Following Admission, the Placing and Sponsor Agreement will not be subject to any condition and will not be revoked. A summary of the principal terms of the Placing and Sponsor Agreement is set out in paragraph 10.1 of Part X (*Additional Information*) of this document.

The Existing Ordinary Shares are already CREST-enabled. No further application for admission to CREST is required for the New Ordinary Shares and all of the New Ordinary Shares when issued and fully paid may be held and transferred by means of CREST. In respect of those Qualifying Shareholders who have validly elected to hold their New Ordinary Shares in uncertificated form, the New Ordinary Shares are expected to be credited to their CREST stock accounts, soon after 8.00 a.m. on 6 September 2021.

Subject to the conditions above being satisfied and save as provided in this Part IV (*Terms and Conditions of the Open Offer*), it is expected that:

- 1.1 Equiniti will instruct Euroclear to credit the appropriate stock accounts of Qualifying CREST Shareholders (other than Restricted Shareholders) with such Shareholders' Open Offer Entitlements, as soon as reasonably practicable after 8.00 a.m. on 6 September 2021;

- 1.2 New Ordinary Shares in uncertificated form will be credited to the appropriate stock accounts of relevant Qualifying CREST Shareholders who validly take up their Open Offer Entitlements on or soon after 8.00 a.m. on 6 September 2021; and
- 1.3 share certificates for the New Ordinary Shares will be despatched within ten Business Days of Admission to relevant Qualifying Non-CREST Shareholders who validly take up their Open Offer Entitlements. Such certificates will be despatched at the risk of such Shareholders.

All monies received by the Receiving Agent in respect of the Open Offer Shares will be placed on deposit in a non-interest bearing account by the Receiving Agent.

In the event that the Open Offer does not become unconditional, the Open Offer will lapse and application monies will be returned, (at the applicants' risk) without interest either as a cheque by first class post to the address set out on the Application Form or returned direct to the account of the bank or building society on which the relevant cheque or banker's draft was drawn as soon as practicable. The interest earned on monies held in the separate bank account will be retained for the benefit of the Company.

If a Qualifying Shareholder does not take up any of his Open Offer Entitlements, such Qualifying Shareholder's holding, as a percentage of the Enlarged Share Capital, will be diluted by approximately 60 per cent. pursuant to the Capital Raising (and assuming the Open Offer is taken up in full).

If a Qualifying Shareholder who is not a Firm Placee does take up all of his Open Offer Entitlements in full, such Qualifying Shareholder's holding, as a percentage of the Enlarged Share Capital, will be diluted by approximately 52 per cent. pursuant to the Capital Raising (and assuming the Open Offer is taken up in full).

All Qualifying Shareholders taking up their Open Offer Entitlements will be deemed to have given the representations and warranties set out in paragraphs 3.7 and 8.1 of this Part IV (*Terms and Conditions of the Open Offer*) (in the case of Qualifying Non-CREST Shareholders) and paragraphs 4.12 and 8.2 of this Part IV (*Terms and Conditions of the Open Offer*) (in the case of Qualifying CREST Shareholders) unless, in each case, such requirement is waived in writing by the Company.

All documents and cheques posted to or by Qualifying Shareholders and/or their transferees or renounees (or their agents, as appropriate) will be posted at their own risk.

The attention of Overseas Shareholders is drawn to paragraph 7 of this Part IV (*Terms and Conditions of the Open Offer*) which forms part of the terms and conditions of the Open Offer.

References to dates and times in this document should be read as subject to adjustment. The Company will make an appropriate announcement to a Regulatory Information Service giving details of any revised dates or times.

## **2. ACTION TO BE TAKEN IN CONNECTION WITH THE OPEN OFFER**

The action to be taken in respect of the Open Offer depends on whether, at the relevant time, a Qualifying Shareholder has received an Application Form in respect of his Open Offer Entitlements, or has had his Open Offer Entitlements credited to his CREST stock account.

If you are a Qualifying Non-CREST Shareholder and you are not a Restricted Shareholder, please refer to paragraph 3 and paragraphs 5 to 14 (inclusive) of this Part IV (*Terms and Conditions of the Open Offer*).

If you are a Qualifying CREST Shareholder and you are not a Restricted Shareholder, please refer to paragraphs 4 to 14 (inclusive) of this Part IV (*Terms and Conditions of the Open Offer*) and to the CREST Manual for further information on the CREST procedures referred to above.

Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors, as only their CREST sponsors will be able to take the necessary actions specified below to apply under the Open Offer in respect of the Open Offer Entitlements of such members held in CREST. CREST members who wish to apply under the Open Offer in respect of their Open Offer Entitlements in CREST should refer to the CREST Manual for further information on the CREST procedures referred to above.

Qualifying Shareholders who do not want to take up or apply for the Open Offer Shares under the Open Offer should take no action and should not complete or return the Application Form or follow the procedures set out in paragraph 4 below to apply for Open Offer Shares through CREST, as the case may be. Qualifying Shareholders are, however, encouraged to vote at the General Meeting by completing and returning the enclosed Form of Proxy (either in hard copy or electronically) or by completing and transmitting a CREST Proxy Instruction.

### **3. ACTION TO BE TAKEN IN RELATION TO OPEN OFFER ENTITLEMENTS AND EXCESS OPEN OFFER ENTITLEMENTS REPRESENTED BY APPLICATION FORMS**

#### **3.1 General**

Save as provided in paragraph 7 of this Part IV (*Terms and Conditions of the Open Offer*) below, Qualifying Non-CREST Shareholders will have received an Application Form with this document.

The Application Forms set out:

3.1.1 in Box 1 on the Application Form, the number of Existing Ordinary Shares registered in such person's name at the Record Date (on which a Qualifying Non-CREST Shareholder's Open Offer Entitlement to Open Offer Shares is based);

3.1.2 in Box 2, the Open Offer Entitlement to Open Offer Shares for which such persons are entitled to apply under the Open Offer, taking into account that any fractional entitlements to Open Offer Shares will be disregarded in calculating Open Offer Entitlements;

3.1.3 in Box 3, how much they would need to pay in Pounds Sterling if they wish to only take up their Open Offer Entitlement in full;

3.1.4 the procedures to be followed if a Qualifying Non-CREST Shareholder wishes to dispose of all or part of his entitlement or to convert all or part of his entitlement into uncertificated form; and

3.1.5 instructions regarding acceptance and payment, consolidation and splitting.

Multiple applications will not be accepted. In the event of receipt of multiple applications the Company may in its sole discretion (with the consent of the Joint Bookrunners) determine which application is valid and binding on the person by whom or on whose behalf it is lodged. All documents and remittances sent by post by or to an applicant (or as the applicant may direct) will be sent at the applicant's own risk.

Qualifying Non-CREST Shareholders may apply for less than their maximum Open Offer Entitlement should they wish to do so.

Subject to applying to take up their Open Offer Entitlement in full, Qualifying Non-CREST Shareholders may also apply for any Excess Shares (i.e. Open Offer Shares in excess of their Open Offer Entitlements which have not been applied for by other Qualifying Shareholders pursuant to their Open Offer Entitlements) pursuant to the Excess Application Facility.

Qualifying Non-CREST Shareholders may also hold such an Application Form by virtue of a bona fide market claim.

The instructions and other terms set out in the Application Form constitute part of the terms and conditions of the Open Offer to Qualifying Non-CREST Shareholders.

**The latest time and date for acceptance of the Application Forms and payment in full will be 11.00 a.m. on 27 August 2021.** The New Ordinary Shares are expected to be issued on 3 September 2021. After such date the New Ordinary Shares will be in registered form, freely transferable by written instrument of transfer in the usual common form, or if they have been issued in or converted into uncertificated form, in electronic form under the CREST system.

#### **3.2 Bona fide market claims**

Applications to acquire Open Offer Shares may only be made on the Application Form and may only be made by the Qualifying Non-CREST Shareholder named in it or by a person entitled by virtue of a bona fide market claim in relation to a purchase of Ordinary Shares through the market prior to 8.00 a.m. on 12 August 2021 (the date upon which the Ordinary Shares were marked 'ex' the entitlement to participate in the Open Offer). Application Forms may not be assigned, transferred or split, except to satisfy bona fide market claims prior to 3 p.m. on 25 August 2021.

The Application Form is not a negotiable document and cannot be separately traded. A Qualifying Non-CREST Shareholder who has sold or otherwise transferred all or part of his holding of Ordinary Shares prior to the date upon which the Ordinary Shares were marked 'ex' the entitlement to participate in the Open Offer, being 8.00 a.m. on 16 August 2021, should consult his broker or other professional adviser as soon as possible, as the invitation to acquire Open Offer Shares under the Open Offer may be a benefit which may be claimed by the transferee.

Qualifying Non-CREST Shareholders who have sold or otherwise transferred all of their registered holdings prior to 8.00 a.m. on 16 August 2021 should, if the market claim is to be settled outside CREST, complete Box 8 on the Application Form and immediately send it, together with this document, to the broker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee, or directly to the purchaser or transferee, if known. The Application Form and this document should not, however, be forwarded to or transmitted in or into any Excluded Territory, including the United States. If the market claim is to be settled outside CREST, the beneficiary of the claim should follow the procedures set out in the accompanying Application Form. If the market claim is to be settled in CREST, the beneficiary of the claim should follow the procedures set out in paragraph 4 below.

Qualifying Non-CREST Shareholders who have sold or otherwise transferred part only of their Existing Ordinary Shares shown in Box 1 of their Application Form prior to 8.00 a.m. on 16 August 2021 should, if the market claim is to be settled outside CREST, complete Box 8 of the Application Form and immediately deliver the Application Form, together with a letter stating the number of Application Forms required (being one for the Qualifying Non-CREST Shareholder in question and one for each of the purchasers or transferees), the total number of Existing Ordinary Shares to be included in each Application Form (the aggregate of which must equal the number shown in Box 1 of the Application Form) and the total number of Open Offer Entitlements to be included in each Application Form (the aggregate of which must equal the number shown in Box 2), to the broker, bank or other agent through whom the sale or transfer was effected or return it by post to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA so as to be received by no later than 11.00 a.m. on 27 August 2021. The Receiving Agent will then create new Application Forms, mark the Application Forms ‘Declaration of sale or transfer duly made’ and send them, together with a copy of this document, by post to the person submitting the original Application Form. The Application Form and this document should not, however, be forwarded to or transmitted in or into any Excluded Territory, including the United States.

### **3.3 *Application procedures***

Qualifying Non-CREST Shareholders who wish to apply to subscribe for all or any of the Open Offer Shares in respect of their Open Offer Entitlement or any Excess Shares pursuant to the Excess Application Facility must complete, sign and return the Application Form in accordance with the instructions thereon. Completed Application Forms should be posted in the accompanying pre-paid envelope (in the UK only) or returned by post to Equiniti so as to be received by Equiniti at Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA by no later than 11.00 a.m. on 27 August 2021, after which time, subject to the limited exceptions set out below, Application Forms will not be valid. Qualifying Non-CREST Shareholders should note that applications, once made, will, subject to the very limited withdrawal rights set out in this document, be irrevocable and receipt thereof will not be acknowledged. If an Application Form is being sent by first-class post in the UK, Qualifying Shareholders are recommended to allow at least four Business Days for delivery.

Completed Application Forms should be returned together with payment in accordance with paragraph 3.4 below. All documents and remittances sent by post by or to an applicant (or as the applicant may direct) will be sent at the applicant’s own risk. If Ordinary Shares have already been quoted to a Qualifying Non-CREST Shareholder and such Qualifying Non-CREST Shareholder’s cheque or banker’s draft is not honoured upon first presentation or such Qualifying Non-CREST Shareholder’s applications is subsequently deemed invalid, the Company will be authorised (in its absolute discretion as to manner, timing and terms) to make arrangements for the sale of such Qualifying Non-CREST Shareholder’s Open Offer Shares and for the proceeds of sale (which for this purpose shall be deemed to be payments in respect of successful applications) to be paid to and retained by the Company. None of Equiniti, the Joint Bookrunners or the Company, nor any other person, shall be responsible for or have any liability for any loss, expense or damage suffered by such Qualifying Non-CREST Shareholder as a member.

### **3.4 *Payment***

All payments must be made by cheque or banker’s draft in Pounds Sterling payable to ‘Equiniti Limited re McColl’s Retail Group plc Open Offer’ and crossed ‘A/C payee only’. Cheques must be for the full amount payable on acceptance, and sent by post to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA so as to be received as soon as possible and, in any

event, not later than 11.00 a.m. on 27 August 2021. A prepaid envelope for use within the UK only will be sent with the Application Form.

Cheques must be drawn on the personal account of the individual investor where they have sole or joint title to the funds. Third party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has inserted details of the name of the account holder and have either added the building society or bank branch stamp or have provided a supporting letter confirming the source of funds. The name of the building society or bank account holder must be the same as the name of the Shareholder shown on page 1 of the Open Offer Application Form. Cheques or banker's drafts must be drawn in Pounds Sterling and on an account at a bank or building society or a branch of a bank or building society which must be in the UK, the Channel Islands or the Isle of Man and which is either a settlement member of the Cheque and Credit Company Clearing Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques or banker's drafts to be cleared through the facilities provided by either of those companies. Cheques and banker's drafts must bear the appropriate sorting code number in the top right-hand corner. Post-dated cheques will not be accepted. Payments via CHAPS, BACS or electronic transfer will not be accepted. Please do not send cash.

The Company reserves the right to have cheques and banker's drafts presented for payment on receipt. No interest will be allowed on payments made before they are due and any interest on such payments will be paid to the Company. It is a term of the Open Offer that cheques must be honoured on first presentation and the Company may, in consultation with the Joint Bookrunners, elect to treat as invalid any acceptances in respect of which cheques are not honoured. Return of the Application Form with a cheque will constitute a warranty that the cheque will be honoured on first presentation.

If cheques or banker's drafts are presented for payment before the conditions of the Open Offer are fulfilled, the application monies will be kept in an interest-bearing account retained for the Company until all conditions are met. If the Open Offer does not become unconditional, no New Ordinary Shares will be issued and all monies will be returned (at the applicant's sole risk), without payment of interest, to applicants either as a cheque by first class post to the address set out on the Application Form or returned direct to the account of the bank or building society on which the relevant cheque or banker's draft was drawn as soon as practicable, following the lapse of the Open Offer. The interest earned on such monies, if any, will be retained for the benefit of the Company.

If an Application Form encloses a payment for an incorrect sum, the Company, through the Receiving Agent, reserves the right:

- to reject the application in full and return the cheque or refund the payment to the Qualifying Non-CREST Shareholder in question (without interest); or
- in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of New Ordinary Shares as would be able to be applied for with that payment at the Offer Price, refunding any unutilised sum to the Qualifying Non-Crest Shareholder in question (without interest), save that any sums of less than £1 will be retained for the benefit of the Company; or
- in the case that an excess sum is paid, to treat the application as a valid application for all the New Ordinary Shares referred to in the Application Form, refunding any unutilised sums to the Qualifying Non-CREST Shareholder in question (without interest), save that any sums of less than £1 will be retained for the benefit of the Company.

If New Ordinary Shares are allotted to a Qualifying Non-CREST Shareholder and a cheque for that allotment is subsequently not honoured or such Qualifying Shareholder's application is subsequently otherwise deemed to be invalid, the Receiving Agent shall be authorised to (in its absolute discretion as to manner, timing and terms) but after consultation with the Joint Bookrunners and the Company) make arrangements for the sale of such shares on behalf of the Company and for the proceeds of sale (which for these purposes shall be deemed to be payments in respect of successful applications) to be paid and retained by the Company. None of the Company, Equiniti or the Joint Bookrunners, nor any other person, shall be responsible for, or have any liability for, any loss, expenses or damage suffered by any Qualifying Shareholder as a result.

If you have any questions relating to the completion and return of your Application Forms, please contact Equiniti on 0333-207-6534 or +44 333-207-6534 (if calling from outside the UK). Lines are open from 08:30 to 17:30 (UK time) Monday to Friday (excluding English and Welsh public holidays). Calls to the helpline from outside the UK will be charged at the applicable international rate.

### 3.5 *Excess Application Facility*

Qualifying Non-CREST Shareholders who take up their Open Offer Entitlements in full may apply to subscribe for Excess Shares using the Excess Application Facility, which enables Qualifying Non-CREST Shareholders to apply for Open Offer Shares in excess of their Open Offer Entitlements which have not been applied for by other Qualifying Shareholders pursuant to their Open Offer Entitlements.

Applications for Excess Shares will be satisfied to the extent that other Qualifying Shareholders do not apply for their Open Offer Entitlements. If there is an over subscription resulting from excess applications, allocations of Excess Shares will be determined by the Excess Allocation Method. Further details regarding the Excess Allocation Method are set out in paragraph 1 of this Part IV (*Terms and Conditions of the Open Offer*).

The aggregate number of Open Offer Shares available for subscription pursuant to the Open Offer (including any Open Offer Shares that may be issued under the Excess Application Facility) will not exceed 25,000,000 Open Offer Shares.

Qualifying Non-CREST Shareholders who wish to apply for Open Offer Shares in excess of their Open Offer Entitlement must complete the Application Form in accordance with instructions set out on the Application Form.

Qualifying Non-CREST Shareholders who make applications for Excess Shares under the Excess Application Facility which are not met in full and from whom payment in full has been made will receive a pounds sterling amount equal to the number of Open Offer Shares applied and paid for, but not allocated to, the relevant Qualifying Non-CREST Shareholder, multiplied by the Offer Price. Monies will be returned, (at the applicant's risk) without interest either as a cheque by first class post to the address set out on the Application Form or returned direct to the account of the bank or building society on which the relevant cheque or banker's draft was drawn as soon as practicable but not later than 10 Business Days from the announcement of the results of the Open Offer.

Fractions of Excess Shares will not be issued under the Excess Application Facility and fractions of Excess Shares will be rounded down to the nearest whole number.

All enquiries in connection with the procedure for application under the Excess Application Facility and Excess Open Offer Entitlements should be addressed to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. Equiniti can be contacted on Equiniti on 0333-207-6534 (or +44 333-207-6534, if calling from outside the UK). Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 8.30 a.m. to 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Equiniti cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

CREST members who wish to apply for some or all of their entitlements to Open Offer Shares should refer to the CREST Manual for further information on the CREST procedures referred to below. If you are a CREST sponsored member you should consult your CREST sponsor if you wish to apply for Open Offer Shares as only your CREST sponsor will be able to take the necessary action to make this application in CREST.

### 3.6 *Discretion as to validity of acceptances*

If payment is not received in full by 11 a.m. on 27 August 2021, the offer to subscribe for Open Offer Shares will be deemed to have been declined and will lapse.

The Company reserves the right to treat as invalid any application or purported application for the Open Offer Shares pursuant to the Open Offer that appears to the Company to have been executed in, despatched from, or that provides an address for delivery of definitive share certificates for Open Offer Shares in, an Excluded Territory, including the United States.

The Company may, but shall not be obliged to, treat an Application Form as valid if the number of Open Offer Shares for which the application is made is inconsistent with the remittance that accompanies the Application Form. In such case, the Company will be entitled to, in its absolute discretion, deem application to have been made for: (i) where an insufficient sum is paid, the greatest whole number of Open Offer Shares as would be able to be applied for with that payment at the Offer Price; and (ii) where an excess sum is paid, the greatest number of Open Offer Shares inserted in Boxes 2 and 4 of the Application Form.

### 3.7 *Effect of application*

All documents and remittances sent by post by or to an applicant (or as the applicant may direct) will be sent at the applicant's own risk. By completing and delivering an Application Form the applicant:

- 3.7.1 represents and warrants to each of the Company and the Joint Bookrunners that he has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his rights, and perform his obligations, under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;
- 3.7.2 agrees with each of the Company and the Joint Bookrunners that all applications under the Open Offer and any contracts resulting therefrom, and any non-contractual obligations related thereto, shall be governed by, and construed in accordance with, the laws of England and Wales;
- 3.7.3 agrees with each of the Company and the Joint Bookrunners that the Open Offer Shares are issued subject to, and in accordance with, the Company's Articles of Association;
- 3.7.4 agrees with each of the Company and the Joint Bookrunners that applications, once made, will be valid and binding, and subject to the very limited withdrawal rights set out in this document, be irrevocable;
- 3.7.5 confirms to each of the Company and the Joint Bookrunners that in making the application he is not relying on any information or representation other than that contained in (or incorporated by reference in) this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any information or representation not so contained and further agrees that, having had the opportunity to read this document including any documentation incorporated by reference, he will be deemed to have had notice of all information contained in this document (including information incorporated by reference);
- 3.7.6 confirms to each of the Company and the Joint Bookrunners that in making the application he is not relying and has not relied on the Company, the Joint Bookrunners or any other person affiliated with the Company or Joint Bookrunners in connection with any investigation of the accuracy of any information contained in (or incorporated by reference in) this document or his investment decision;
- 3.7.7 confirms to each of the Company and the Joint Bookrunners that no person has been authorised to give any information or to make any representation concerning the Group and/or the New Ordinary Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be, and has not been, relied upon as having been authorised by the Company, or the Joint Bookrunners;
- 3.7.8 represents and warrants to each of the Company and the Joint Bookrunners that if he has received some or all of his Open Offer Entitlements from a person other than the Company, he is entitled to apply under the Open Offer in relation to such Open Offer Entitlements by virtue of a bona fide market claim;
- 3.7.9 represents and warrants to each of the Company and the Joint Bookrunners that the New Ordinary Shares are acquired in an "offshore transaction" as defined in and pursuant to Regulation S under the US Securities Act or otherwise in a transaction exempt from, or not subject to, the registration requirements under the US Securities Act;
- 3.7.10 represents and warrants to each of the Company and the Joint Bookrunners that he is the Qualifying Shareholder originally entitled to the Open Offer Entitlements or that he received such Open Offer Entitlements by virtue of a bona fide market claim;
- 3.7.11 represents and warrants to each of the Company and the Joint Bookrunners that he is not, nor is he applying on behalf of any person who is: (i) located, a citizen or resident, or a corporation, partnership or other entity created or organised in or under any laws, in or of any Excluded Territory or any jurisdiction in which the application for New Ordinary Shares is prevented by law; and (ii) he is not applying with a view to re-offering, reselling, transferring or delivering any of the New Ordinary Shares which are the subject of his application to, or for the benefit of, a person who is located, a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws, in or of any Excluded Territory or any jurisdiction in which the

application for New Ordinary Shares is prevented by law, nor acting on behalf of any such person on a non-discretionary basis nor a person(s) otherwise prevented by legal or regulatory restrictions from applying for New Ordinary Shares under the Open Offer;

3.7.12 represents and warrants to each of the Company and the Joint Bookrunners that: (i) he is not in the United States, nor is he applying for the account of any person who is located in the United States; and (ii) he is not applying for the New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any New Ordinary Shares into the United States;

3.7.13 represents and warrants to each of the Company and the Joint Bookrunners that he is not, and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 93 (depository receipts) or section 96 (clearance services) of the Finance Act 1986; and

3.7.14 requests that the New Ordinary Shares to which he will become entitled be issued to him on the terms set out in this document and the Application Form and, subject to the Articles of Association.

### 3.8 *Money Laundering Regulations*

To ensure compliance with the Money Laundering Regulations (as amended and supplemented), Equiniti may require, at its absolute discretion, verification of the identity of the beneficial owner by whom or on whose behalf the Application Form is lodged with payment (which requirements are referred to below as the “**verification of identity requirements**”). If an application is made by a UK-regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of Equiniti. In such case, the lodging agent’s stamp should be inserted on the Application Form.

The person lodging the Application Form with payment (the “**applicant**”), including any person who appears to Equiniti to be acting on behalf of some other person, shall thereby be deemed to agree to provide Equiniti with such information and other evidence as Equiniti may require to satisfy the verification of identity requirements. Submission of an Application Form shall constitute a warranty that the Money Laundering Regulations will not be breached by the acceptance of remittance and an undertaking by the applicant to provide promptly to Equiniti such information as may be specified by Equiniti as being required for the purpose of the Money Laundering Regulations.

If Equiniti determines that the verification of identity requirements apply to any applicant or application, the relevant New Ordinary Shares (notwithstanding any other term of the Open Offer) will not be issued to the relevant applicant unless and until the verification of identity requirements have been satisfied in respect of that applicant or application. Equiniti is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any applicant or application and whether such requirements have been satisfied, and neither Equiniti nor the Company will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays and potential rejection of an application. If, within a reasonable period of time following a request for verification of identity, Equiniti has not received evidence satisfactory to it as aforesaid, the Company may, in its absolute discretion treat the relevant application as invalid, in which event the application monies will be returned (at the applicant’s risk) without interest to the account of the bank or building society on which the relevant cheque or banker’s draft was drawn.

The verification of identity requirements will not usually apply if:

3.8.1 the applicant is an organisation required to comply with the EU Money Laundering Directive (the Council Directive on the prevention of the use of the financial system for the purpose of money laundering (no. 91/308/EEC), as amended);

3.8.2 if the applicant is a regulated United Kingdom broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations;

3.8.3 if the applicant (not being an applicant who delivers his application in person) makes payment by way of a cheque drawn on an account in the name of such applicant; or



3.8.4 the aggregate subscription price for the relevant New Ordinary Shares is less than the Pounds Sterling equivalent of €15,000.

Submission of the Application Form with the appropriate remittance will constitute a warranty to each of the Company and the Joint Bookrunners from the applicant that the Money Laundering Regulations will not be breached by application of such remittance.

Where the verification of identity requirements apply, please note the following as this will assist in satisfying the requirements (but does not limit the right of Equiniti to require verification of an identity stated above). Satisfaction of these requirements may be facilitated in the following ways:

- (i) if payment is made by cheque or banker's draft in Pounds Sterling drawn on a branch of a bank or building society in the UK and bears a UK bank sort code number in the top right hand corner, the following applies. Cheques, which are recommended to be drawn on the personal account of the individual investor where they have sole or joint title to the funds, should be made payable to 'Equiniti Limited re: McColl's Retail Group plc Open Offer' and crossed 'A/C payee only'. Third party cheques may not be accepted except for building society cheques or banker's drafts where the building society or bank has inserted details of the name of the account holder and have either added the building society or bank branch stamp or have provided a supporting letter confirming the source of funds. The account name should be the same as that shown on the application; or
- (ii) if the Application Form is lodged with payment by an agent which is an organisation of the kind referred to in sub-paragraph 3.8.1 above or which is subject to anti-money laundering regulations in a country which is a member of the Financial Action Task Force (the current non-EU members of which are Argentina, Australia, Brazil, Canada, Hong Kong, Iceland, India, Israel, Japan, Malaysia, Mexico, New Zealand, Norway, the People's Republic of China, the People's Republic of Korea, the Russian Federation, Saudi Arabia, Singapore, South Africa, Switzerland, Turkey, the UK and the US), the agent should provide written confirmation that it has that status with the Application Form(s) and written assurances that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to Equiniti and/or any relevant regulatory or investigatory authority.

**To confirm the acceptability of any written assurance referred to in paragraph (ii) above, or in any other case, the applicant should contact Equiniti on 0333-207-6534 or +44 333-207-6534 (if calling from outside the UK). Lines are open from 08:30 to 17:30 (UK time) Monday to Friday (excluding English and Welsh public holidays). Calls to the helpline from outside the UK will be charged at the applicable international rate.**

### 3.9 *Issue of New Ordinary Shares in certificated form*

Definitive share certificates in respect of the New Ordinary Shares to be held in certificated form are expected to be despatched by post within ten Business Days of Admission, at the risk of the person(s) entitled to them, to accepting Qualifying Non-CREST Shareholders or their agents or, in the case of joint holdings, to the first-named Shareholder, in each case at their registered address (unless lodging agent details have been completed on the Application Form).

## 4. **ACTION TO BE TAKEN IN RELATION TO OPEN OFFER ENTITLEMENTS AND EXCESS OPEN OFFER ENTITLEMENTS CREDITED IN CREST**

### 4.1 *General*

Save as provided in paragraph 7 of this Part IV (*Terms and Conditions of the Open Offer*) in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder is expected to receive a credit to his CREST stock account of his Open Offer Entitlements equal to the maximum number of Open Offer Shares for which he is entitled to apply to acquire under the Open Offer, together with a credit Excess CREST Open Offer Entitlements equal to 10 times their balance of Existing Ordinary Shares held at the Record Date. Qualifying CREST Shareholders should note that this is not a cap on the maximum number of Excess Shares they can apply for and if they wish to apply for more Excess Shares than the Excess CREST Open Offer Entitlements they have been credited then they should contact the Shareholder helpline on 0333-207-6534 from within the United Kingdom or +44 333-207-6534 if calling from outside of the United Kingdom to request an increased credit, ensuring to leave sufficient time for the additional Excess CREST Open Offer Entitlements to be credited to their account and for an application to be made in respect of those Excess CREST Open Offer Entitlements before the application deadline.

The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Ordinary Shares held at the Record Date by the Qualifying CREST Shareholder in respect of which the Open Offer Entitlements have been allocated.

If for any reason it is not possible to admit the Open Offer Entitlements to CREST, or it is impracticable to credit the stock accounts of Qualifying CREST Shareholders by 8.00 a.m. on 16 August 2021 or such later time and/or date as the Company (after consultation with the Joint Bookrunners) shall decide, Application Forms shall be sent out in substitution for the Open Offer Entitlements which should have been so credited and the expected timetable as set out in this document may be adjusted as appropriate. References to dates and times in this document should be read as subject to any such adjustment. The Company will make an appropriate announcement to a Regulatory Information Service giving details of the revised dates but Qualifying CREST Shareholders may not receive any further written communication.

**Qualifying CREST Shareholders who wish to take up all or part of their Open Offer Entitlements should refer to the CREST Manual for further information on the CREST procedures referred to below. If you are a CREST sponsored member, you should consult your CREST sponsor if you wish to take up your entitlement, as only your CREST sponsor will be able to take the necessary action to take up your Open Offer Entitlements. If you have any questions relating to the completion and return of your Forms of Proxy, please contact Equiniti on 0333-207-6534 or +44 333-207-6534 (if calling from outside the UK). Lines are open from 08:30 to 17:30 (UK time) Monday to Friday (excluding English and Welsh public holidays). Calls to the helpline from outside the UK will be charged at the applicable international rate.**

**In accordance with the instructions in this Part IV (*Terms and Conditions of the Open Offer*), the CREST instruction must have been settled by 11:00 a.m. on 27 August 2021.**

#### 4.2 *Bona fide market claims*

The Open Offer Entitlements will constitute a separate security to the Existing Ordinary Shares for the purposes of CREST and will have a separate ISIN. Although Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Open Offer Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a bona fide market claim transaction. Transactions identified by the CREST Claims Processing Unit as “cum” the Open Offer Entitlement will generate an appropriate market claim transaction and the relevant Open Offer Entitlement(s) will thereafter be transferred accordingly.

#### 4.3 *Excess Application Facility*

Qualifying CREST Shareholders who take up their Open Offer Entitlements in full may apply to subscribe for Excess Shares using the Excess Application Facility, which enables Qualifying CREST Shareholders to apply for Open Offer Shares in excess of their Open Offer Entitlement.

Applications for Excess Shares will be satisfied to the extent that other Qualifying Shareholders do not apply for their Open Offer Entitlements. All applications under the Excess Application Facility will be subject to the Excess Application Cap which has been set at a level that ensures that the level of its Excess Application Cap results in the Open Offer being fully subscribed from launch. If there is an over subscription resulting from excess applications, allocations of Excess Shares will be determined by the Excess Allocation Method. Further details regarding the Excess Allocation Method are set out in paragraph 1 of this Part IV (*Terms and Conditions of the Open Offer*).

The aggregate number of Open Offer Shares available for subscription pursuant to the Open Offer (including any Open Offer Shares that may be issued under the Excess Application Facility) will not exceed 25,000,000 Open Offer Shares.

All enquiries in connection with the procedure for application for Excess Open Offer Entitlements should be made to Equiniti on 0333-207-6534 (or +44 333-207-6534 if calling from outside the United Kingdom). Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 08:30 to 17:30 Monday to Friday excluding public holidays in England and Wales. Please note that Equiniti cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.

An Excess Open Offer Entitlement in CREST may not be sold or otherwise transferred. Save as provided in this Part IV in relation to certain Overseas Shareholders, the CREST accounts of Qualifying

CREST Shareholders will be credited with an Excess Open Offer Entitlement in order for any applications for Excess Shares to be settled through CREST. The credit of such Excess Open Offer Entitlement does not in any way give Qualifying CREST Shareholders a right to the Open Offer Shares attributable to the Excess Open Offer Entitlement as an Excess Open Offer Entitlement is subject to scaling back in accordance with the Excess Allocation Method and the terms of this document.

To apply for Excess Shares pursuant to the Open Offer, Qualifying CREST Shareholders should follow the instructions above and must not return a paper form and cheque. Excess Open Offer Entitlements will not be subject to Euroclear's market claims process. CREST Shareholders claiming Excess Open Offer Entitlements by virtue of a bona fide market claim are advised to contact Equiniti to request a credit of the appropriate number of entitlements to their CREST account.

Should a transaction be identified by the CREST Claims Processing Unit as "cum" the Open Offer Entitlement and the relevant Open Offer Entitlement(s) be transferred, the Excess Open Offer Entitlement(s) will not transfer with the Open Offer Entitlement(s) claim, but will need to be claimed separately by the purchaser who is advised to contact Equiniti to request a credit of the appropriate number of Excess Open Offer Entitlements to their CREST account. Please note that a separate USE Instruction must be sent in respect of any application under the Excess Open Offer Entitlement.

A Qualifying CREST Shareholder who has made a valid application for Excess Shares under the Excess Application Facility which is not met in full, and from whom payment in full for Excess Shares has been received, will receive a pounds sterling amount equal to the number of Excess Shares applied and paid for, but not allocated to, the relevant Qualifying CREST Shareholder, multiplied by the Offer Price. Monies will be returned within CREST to the originating account by not later than four Business Days from the announcement of the results of the Open Offer, without payment of interest and at the applicant's sole risk.

Fractions of Excess Shares will not be issued under the Excess Application Facility and fractions of Excess Shares will be rounded down to the nearest whole number.

#### **4.4 *USE Instructions for all or some of the Open Offer Entitlements***

Qualifying CREST Shareholders who are CREST members and who wish to apply for Open Offer Shares in respect of all or some of their Open Offer Entitlements in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) a USE Instruction to Euroclear which, on its settlement, will have the following effect:

- 4.4.1 the crediting of a stock account of the Receiving Agent under the participant ID and member account ID specified below, with a number of Open Offer Entitlements corresponding to the number of Open Offer Shares applied for; and
- 4.4.2 the creation of a CREST payment, in accordance with the CREST payment arrangements in favour of the payment bank of the Receiving Agent in respect of the amount specified in the USE Instruction which must be the full amount payable on application for the number of Open Offer Shares referred to in paragraph 4.4.1 above.

#### **4.5 *Content of USE Instructions in respect of Open Offer Entitlements***

The USE Instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- 4.5.1 the number of Open Offer Shares for which application is being made (and hence the number of the Open Offer Entitlement(s) being delivered to the Receiving Agent);
- 4.5.2 the ISIN of the Open Offer Entitlement. This is GB00BL3F8H14;
- 4.5.3 the CREST participant ID of the CREST member;
- 4.5.4 the CREST member account ID of the CREST member from which the Open Offer Entitlements are to be debited;
- 4.5.5 the participant ID of the Receiving Agent in its capacity as a CREST receiving agent. This is 2RA53;

- 4.5.6 the member account ID of the Receiving Agent in its capacity as a CREST receiving agent. This is RA367101;
- 4.5.7 the amount payable by means of a CREST payment on settlement of the USE Instruction. This must be the full amount payable on application for the number of Open Offer Shares referred to in 4.5.1 above;
- 4.5.8 the intended settlement date. This must be on or before 11.00 a.m. on 27 August 2021;
- 4.5.9 the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST;

In order to assist prompt settlement of the USE Instruction, CREST members (or their sponsors where applicable) should add the following non-mandatory fields to the USE Instruction:

- 4.5.10 a contact name and telephone number (in the free format shared note field); and
- 4.5.11 a priority of at least 80.

In order for an application under the Open Offer to be valid, the USE Instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 27 August 2021. CREST members and, in the case of CREST sponsored members, their CREST sponsors should note that the last time at which a USE Instruction may settle on 27 August 2021 in order to be valid is 11.00 a.m. on that day. After 6 September 2021, the New Ordinary Shares will be registered and freely transferable in electronic form under the CREST system.

If the conditions of the Firm Placing and Open Offer are not fulfilled on or before 8.00 a.m. on 6 September 2021, or such other time and/or date as may be agreed between the Company, the Joint Bookrunners, the Open Offer will lapse, the Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest as soon as practicable thereafter.

#### **4.6 *USE instructions for the Excess Open Offer Entitlements***

Qualifying CREST Shareholders who are CREST members and who wish to apply for Excess Shares in respect of their Excess Open Offer Entitlements in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) a USE Instruction to CREST which, on its settlement, will have the following effect:

- a. the crediting of a stock account of the Receiving Agent under the participant ID and member account ID specified below, with a number of Excess Open Offer Entitlements corresponding to the number of Excess Shares applied for; and
- b. the creation of a CREST payment, in accordance with the CREST payment arrangements, in favour of the payment bank of the Receiving Agent in respect of the amount specified in the USE Instruction which must be the full amount payable on application for the number of Excess Shares referred to in sub-paragraph (a) above.

#### **4.7 *Content of USE Instructions in respect of Excess Open Offer Entitlements***

The USE Instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- a) the number of Excess Shares for which application is being made (and hence the number of the Excess Open Offer Entitlement(s) being delivered to the Receiving Agent);
- b) the ISIN of the Excess Open Offer Entitlements. This is GB00BN0YRS90;
- c) the CREST participant ID of the CREST member;
- d) the CREST member account ID of the CREST member from which the Excess Open Offer Entitlements are to be debited;
- e) the participant ID of the Receiving Agent in its capacity as a CREST receiving agent. This is 2RA54;

- f) the member account ID of the Receiving Agent in its capacity as a CREST receiving agent. This is RA367102;
- g) the amount payable by means of a CREST payment on settlement of the USE Instruction. This must be the full amount payable on application for the number of Excess Shares referred to in subparagraph (a) above;
- h) the intended settlement date. This must be on or before 11.00 a.m. on 27 August 2021;
- i) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST;
- j) a contact name and telephone number (in the free format shared note field); and
- k) a priority of at least 80.

#### **4.8 CREST procedures and timings**

Qualifying CREST Shareholders who are CREST members and CREST sponsors (on behalf of CREST sponsored members) should note that Euroclear UK does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE Instruction and its settlement in connection with the Open Offer. It is the responsibility of the Qualifying CREST Shareholder concerned to take (or, if the Qualifying CREST Shareholder is a CREST sponsored member, to procure that his CREST sponsor takes) the action necessary to ensure that a valid acceptance is received as stated above by 11.00 a.m. on 27 August 2021. Qualifying CREST Shareholders and (where applicable) CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

#### **4.9 Validity of application**

A USE Instruction complying with the requirements as to authentication and contents set out above which settles by not later than 11.00 a.m. on 27 August 2021 will constitute a valid application under the Open Offer.

#### **4.10 Incorrect or incomplete applications**

If a USE Instruction includes a CREST payment for an incorrect sum, the Company, through the Registrar, reserves the right:

- 4.10.1 to reject the application in full and refund the payment to the CREST member in question (without interest);
- 4.10.2 in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of New Ordinary Shares as would be able to be applied for with that payment at the Offer Price, refunding any unutilised sum to the CREST member in question (without interest); or
- 4.10.3 in the case that an excess sum is paid, to treat the application as a valid application for all the New Ordinary Shares referred to in the USE Instruction, refunding any unutilised sum to the CREST member in question (without interest).

#### **4.11 Placee participation**

Each Placee subscribing for Placing Shares under the Firm Placing may apply for, or take up, its Open Offer Entitlement (and any Excess Shares). Each Director has irrevocably committed to not take up any of their Open Offer Entitlements.

#### **4.12 Effect of application**

A CREST member or CREST sponsored member who makes or is treated as making a valid application in accordance with the above procedures thereby:

- 4.12.1 represents and warrants to each of the Company and the Joint Bookrunners that he has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his rights, and perform his obligations, under any

contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;

- 4.12.2 agrees with each of the Company and the Joint Bookrunners to pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to the Receiving Agent's payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST member to pay the amount payable on application);
- 4.12.3 agrees with each of the Company and the Joint Bookrunners that all applications under the Open Offer and any contracts resulting therefrom, and any non-contractual obligations relating thereto under the Open Offer shall be governed by, and construed in accordance with, the laws of England and Wales;
- 4.12.4 requests that the Open Offer Shares to which he will become entitled be issued to him on the terms set out in this document, subject to, and in accordance with, the Company's Articles of Association;
- 4.12.5 confirms to each of the Company and the Joint Bookrunners that in making the application he is not relying on any information or representation other than that contained in (or incorporated by reference in) this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any such information or representation not so contained and further agrees that, having had the opportunity to read this document, including any documentation incorporated by reference, he will be deemed to have had notice of all the information contained in this document (including information incorporated by reference);
- 4.12.6 confirms to each of the Company and the Joint Bookrunners that in making the application he is not relying and has not relied on the Company, the Joint Bookrunners nor any other person affiliated with the Company or the Joint Bookrunners in connection with any investigation of the accuracy of any information contained in (or incorporated by reference in) this document or his investment decision;
- 4.12.7 confirms to each of the Company and the Joint Bookrunners that no person has been authorised to give any information or to make any representation concerning the Group and/or the New Ordinary Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be, and has not been, relied upon as having been authorised by the Company or the Joint Bookrunners;
- 4.12.8 represents and warrants to each of the Company and the Joint Bookrunners that if he has received some or all of his Open Offer Entitlements from a person other than the Company, he is entitled to apply under the Open Offer in relation to such Open Offer Entitlements by virtue of a bona fide market claim;
- 4.12.9 represents and warrants to each of the Company and the Joint Bookrunners that he is the Qualifying Shareholder originally entitled to the Open Offer Entitlements or that he has received such Open Offer Entitlements by virtue of a bona fide market claim;
- 4.12.10 except where proof satisfactory to the Company has been provided to the Company that he is able to accept the invitation free of any requirement which the Company (in its absolute discretion) regards as unduly burdensome, represents and warrants to each of the Company and the Joint Bookrunners that he is not, nor is he applying on behalf of any person who is: (i) located in, a citizen or resident of, or a corporation, partnership or other entity created or organised in or under any laws, in or of any Excluded Territory or any jurisdiction in which the application for Open Offer Shares is prevented by law; and (ii) applying with a view to re-offering, reselling, transferring or delivering any of the Open Offer Shares which are the subject of his application to, or for the benefit of, a person who is located in, a citizen or resident of or which is a corporation, partnership or other entity created or organised in or under any laws, in or of any Excluded Territory or any jurisdiction in which the application for Open Offer Shares is prevented by law, nor acting on behalf of any such person on a non-discretionary basis nor a person(s) otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer;

4.12.11 represents and warrants to each of the Company and the Joint Bookrunners that: (i) he is not in the United States, nor is he applying for the account of a person who is located in the United States, unless: (a) the instruction to apply was received from a person outside the United States; and (b) the person giving such instruction has confirmed that it has the authority to give such instruction and; either (1) has investment discretion over such account; or (2) is an investment manager or investment company and that it is applying for the Open Offer Shares in an “offshore transaction” within the meaning of Regulation S; and (ii) he is not applying for the Open Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any Open Offer Shares into the United States; and

4.12.12 represents and warrants to each of the Company and the Joint Bookrunners that he is not, and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 93 (depository receipts) or section 96 (clearance services) of the Finance Act 1986.

#### **4.13 *Discretion as to rejection and validity of acceptances***

The Company may:

4.13.1 reject any acceptance constituted by a USE Instruction, which is otherwise valid, in the event of a breach of any of the representations, warranties and undertakings set out or referred to in paragraph 4.12 of this Part IV (*Terms and Conditions of the Open Offer*). Where an acceptance is made as described in this paragraph 4 which is otherwise valid, and the USE Instruction concerned fails to settle by 11.00 a.m. on 27 August 2021 (or by such later time and date as the Company, the Joint Bookrunners may determine), the Company shall be entitled to assume, for the purposes of their right to reject an acceptance as described in this paragraph 4.13.1, that there has been a breach of the representations, warranties and undertakings set out or referred to in paragraph 4.12 above unless the Company is aware of any reason outside the control of the Qualifying CREST Shareholder or CREST sponsor (as appropriate) concerned for the failure of the USE Instruction to settle;

4.13.2 treat as valid (and binding on the Qualifying CREST Shareholder concerned) an acceptance which does not comply in all respects with the requirements as to validity set out or referred to in this paragraph 4;

4.13.3 accept an alternative properly authenticated dematerialised instruction from a Qualifying CREST Shareholder or (where applicable) a CREST sponsor as constituting a valid acceptance in substitution for, or in addition to, a USE Instruction and subject to such further terms and conditions as the Company may determine;

4.13.4 treat a properly authenticated dematerialised instruction (in this sub-paragraph, the ‘first instruction’) as not constituting a valid acceptance if, at the time at which Equiniti receives a properly authenticated dematerialised instruction giving details of the first instruction, either the Company or Equiniti has received actual notice from Euroclear of any of the matters specified in CREST Regulation 35(5)(a) in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and

4.13.5 accept an alternative instruction or notification from a Qualifying CREST Shareholder or (where applicable) a CREST sponsor, or extend the time for acceptance and/or settlement of a USE Instruction or any alternative instruction or notification if, for reasons or due to circumstances outside the control of any Qualifying CREST Shareholder or (where applicable) CREST sponsor, a Qualifying CREST Shareholder is unable validly to take up all or part of his Open Offer Entitlement by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of facilities and/or systems operated by Equiniti in connection with CREST.

#### **4.14 *Money Laundering Regulations***

If you hold your New Ordinary Shares in CREST and apply to take up all or part of your entitlement as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a bank, a broker or another UK financial institution), then, irrespective of the value of the application, Equiniti is

required to take reasonable measures to establish the identity of the person or persons on whose behalf you are making the application. Such Qualifying CREST Shareholders must therefore contact Equiniti before sending any USE Instruction or other instruction so that appropriate measures may be taken.

Submission of a USE Instruction which constitutes, or which may on its settlement constitute, a valid acceptance as described above constitutes a warranty and undertaking by the applicant to the Company and the Joint Bookrunners to provide promptly to Equiniti any information Equiniti may specify as being required for the purposes of the Money Laundering Regulations. Pending the provision of evidence satisfactory to Equiniti as to identity, Equiniti, having consulted with the Company, may take, or omit to take, such action as it may determine to prevent or delay settlement of the USE Instruction. If satisfactory evidence of identity has not been provided within a reasonable time, Equiniti will not permit the USE Instruction concerned to proceed to settlement (without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure by the applicant to provide satisfactory evidence).

#### **4.15 *Deposit of Open Offer Entitlements into, and withdrawal from, CREST***

A Qualifying Non-CREST Shareholder's entitlement under the Open Offer as shown by the number of Open Offer Entitlements set out in his Application Form may be deposited into CREST (either into the account of the Qualifying Shareholder named in the Application Form or into the name of a person entitled by virtue of a bona fide market claim). Similarly, Open Offer Entitlements held in CREST may be withdrawn from CREST so that the entitlement under the Open Offer are reflected in an Application Form. Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal, (in the case of a deposit into CREST) as set out in the Application Form.

A Qualifying Non-CREST Shareholder who wishes to make such a deposit should sign Box 8 and complete Box 11 of their Application Form, entitled 'CREST Deposit Form' and then deposit their Application Form with the CREST Courier and Sorting Service. In addition, the normal CREST stock deposit procedures will need to be carried out, except that: (i) it will not be necessary to complete and lodge a separate CREST transfer form (as prescribed under the Stock Transfer Act 1963) with the CREST Courier and Sorting Service; and (ii) only the Open Offer Entitlement shown in Box 2 of the Application Form may be deposited into CREST.

If you have received your Application Form by virtue of a bona fide market claim, the declaration below Box 8 must be made or (in the case of an Application Form which has been split) marked 'Declaration of sale or transfer duly made'. If you wish to take up your Open Offer Entitlement, the CREST Deposit Form in Box 11 of your Application Form must be completed and deposited with the CREST Courier and Sorting Service in accordance with the instructions above. A holder of more than one Application Form who wishes to deposit Open Offer Entitlements shown on those Application Forms into CREST must complete Box 9 of each Application Form.

In particular, having regard to normal processing times in CREST and on the part of Equiniti, the recommended latest time for depositing an Application Form with the CREST Courier and Sorting Service, where the person entitled wishes to hold the Open Offer Entitlement set out in such Application Form as an Open Offer Entitlement in CREST is 3.00 p.m. on 24 August 2021, in either case so as to enable the person acquiring or (as appropriate) holding the Open Offer Entitlements, following the deposit or withdrawal (whether as shown in an Application Form or held in CREST), to take all necessary steps in connection with applying in respect of the Open Offer Entitlements prior to 11.00 a.m. on 27 August 2021. CREST holders inputting the withdrawal of their Open Offer Entitlement from their CREST account are recommended that they withdraw their Open Offer Entitlement by 4.30 p.m. on 23 August 2021.

Delivery of an Application Form with the CREST Deposit Form at Box 8 duly completed, whether in respect of a deposit into the account of the Qualifying Shareholder named in the Application Form or into the name of another person, shall constitute a representation and warranty to the Company, the Joint Bookrunners and Equiniti by the relevant CREST member(s) that it is/they are not in breach of the provisions of the notes under the paragraph headed 'Application Letter' on page 3 of the Application Form, and a declaration to the Company and the Receiving Agent from the relevant CREST member(s) that it is/they are, not located in, or citizen(s) or resident(s) of, any Excluded Territory or any jurisdiction in which the application for Open Offer Shares is prevented by law, and that it is/they are, not located in the United States and, where such deposit is made by a beneficiary or a market claim, a representation



and warranty that the relevant CREST member(s) is/are entitled to apply under the Open Offer by virtue of a bona fide market claim.

#### **4.16 *Right to allot and issue Open Offer Shares in certificated form***

Despite any other provision of this document, the Company reserves the right to allot and to issue any Open Offer Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of an interruption, failure or breakdown of CREST (or of any part of CREST) or of a part of the facilities and/or systems operated by Equiniti in connection with CREST.

### **5. TAXATION**

Information on taxation with regard to the Capital Raising for Qualifying Shareholders who are resident in the UK for UK tax purposes is set out in paragraph 1 of Part IX (*UK Taxation*) of this document. The information contained in Part IX (*UK Taxation*) is intended only as a general guide to the current tax position in the United Kingdom and Qualifying Shareholders resident in the UK for tax purposes should consult their own tax advisers regarding the tax treatment of the Capital Raising in light of their own circumstances. Shareholders who are in any doubt as to their tax position or who are subject to tax in any other jurisdiction should consult their professional advisers immediately.

### **6. WITHDRAWAL RIGHTS**

Qualifying Shareholders wishing to exercise the withdrawal rights under section 87Q(4) of FSMA after the issue by the Company of a prospectus supplementing this document (if any) must do so by lodging a written notice of withdrawal, which shall not include a notice sent by facsimile or any other form of electronic communication, that must include the full name and address of the person wishing to exercise such statutory withdrawal rights and, if such person is a Qualifying CREST Shareholder, the participant ID and the member account ID of such Qualifying CREST Shareholder at Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, so as to be received no later than two Business Days after the date on which the supplementary prospectus is published. Notice of withdrawal given by any other means or which is deposited with or received by Equiniti after expiry of such period will not constitute a valid withdrawal. Furthermore, it is the Company's view that Qualifying Shareholders will not be capable of exercising their withdrawal rights after payment by the relevant person for the New Ordinary Shares applied for in full and the allotment of such New Ordinary Shares to such person becoming unconditional save to the extent required by statute. In such circumstances, any such accepting Qualifying Shareholder or renounee, wishing to withdraw is advised to seek independent legal advice.

If you have any questions relating to withdrawal rights, please contact Equiniti on 0333-207-6534 or +44 333-207-6534 (if calling from outside the UK). Lines are open from 08:30 to 17:30 (UK time) Monday to Friday (excluding English and Welsh public holidays). Calls to the helpline from outside the UK will be charged at the applicable international rate. Please note that calls may be recorded and randomly monitored for security and training purposes. Please note that Equiniti cannot provide advice on the merits of the proposals nor give personal, business, financial, tax, investment or legal advice.

### **7. OVERSEAS SHAREHOLDERS**

This document has been approved by the FCA, being the competent authority in the UK. It is expected that Shareholders in each EEA State other than any Excluded Territory will be able to participate in the Open Offer.

It is the responsibility of any person (including, without limitation, custodians, nominees and trustees) outside the UK wishing to participate in the Open Offer to satisfy himself as to the full observance of the laws of any relevant territory in connection therewith, including the obtaining of any governmental or other consents which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such territories. The comments set out in this paragraph 7 are intended as a general guide only and any Overseas Shareholder who is in doubt as to his, her or its position should consult his, her or its professional adviser without delay.

#### **7.1 *General***

**The distribution of this document and the Application Form and the making of the Open Offer to persons resident in, or who are citizens of, or who have a registered address in countries other than the United Kingdom may be affected by the law of the relevant jurisdiction. Those persons should**

**consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to participate in the Open Offer.**

No action has been or will be taken by the Company or any other person to permit a public offer or distribution of this document or the Application Form in any jurisdiction where action for that purpose may be required, other than in the UK. This section sets out the restrictions applicable to Shareholders who have registered addresses outside the UK, who are physically located outside the UK, or who are citizens or residents of countries other than the UK, or who are persons (including, without limitation, custodians, nominees and trustees) who have a contractual or legal obligation to forward this document to a jurisdiction outside the UK, or who hold Ordinary Shares for the account or benefit of any such person.

Open Offer Entitlements will be issued to all Qualifying Shareholders holding Ordinary Shares at the Record Date. However, Application Forms have not been, and will not be, sent to, and neither Open Offer Entitlements nor New Ordinary Shares will be credited to CREST accounts of, Restricted Shareholders, or to their agent or intermediary.

Receipt of this document and/or an Application Form or the crediting of Open Offer Entitlements to a stock account in CREST will not constitute an offer in or into any Excluded Territory, including the United States, and, in those circumstances, this document and/or an Application Form must be treated as sent for information only and should not be copied or redistributed. No person receiving a copy of this document and/or an Application Form and/or receiving a credit of Open Offer Entitlements to a stock account in CREST in any territory other than the UK may treat the same as constituting an invitation or offer to him, nor should he in any event use the Application Form or deal with Open Offer Entitlements in CREST unless, in the relevant jurisdiction (other than any Excluded Territories), such an invitation or offer could lawfully be made to him and the Application Form or Open Offer Entitlements in CREST could lawfully be used or dealt with without contravention of any unfulfilled registration or other legal or regulatory requirements.

Accordingly, persons (including, without limitation, custodians, agents, nominees and trustees) receiving a copy of this document and/or an Application Form or whose stock account in CREST is credited with Open Offer Entitlements should not, in connection with the Capital Raising, distribute or send the same in or into, or transfer Open Offer Entitlements to any person in or into, any Excluded Territory, including the United States. If an Application Form or credit of Open Offer Entitlements in CREST is received by any person in any Excluded Territory, including the United States, or by their agent or nominee in any such territory, he must not seek to take up the entitlements referred to in the Application Form or in this document or renounce the Application Form or transfer the Open Offer Entitlements. Any person who does forward this document or an Application Form into any Excluded Territory (whether under contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this section.

None of the Company, the Joint Bookrunners, nor any of their respective representatives is making any representation to any offeree or purchaser of the New Ordinary Shares regarding the legality of an investment in the New Ordinary Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser.

The Company may, with the consent of the Joint Bookrunners, treat as invalid any acceptance or purported acceptance of the offer of the Open Offer Entitlements which appears to the Company or its agents to have been executed, effected or despatched in a manner which may involve a breach of the laws or regulations of any jurisdiction or if it believes or they believe that the same may violate applicable legal or regulatory requirements or if, in the case of an Application Form, it provides an address for delivery of the definitive share certificates for New Ordinary Shares in, or, in the case of a credit of New Ordinary Shares in CREST, the Shareholder's registered address is in, an Excluded Territory, including the United States, or if the Company believes or its agents believe that the same may violate applicable legal or regulatory requirements.

Despite any other provisions of this document or the Application Form, the Company reserves the right to permit any Overseas Shareholder (other than Restricted Shareholders) to take up his entitlements if the Company in its sole and absolute discretion, after consultation with the Joint Bookrunners, is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restriction in question. If the Company is so satisfied, the Company will arrange for the relevant Overseas Shareholder to be sent an Application Form if he is reasonably believed to be a Qualifying Non-CREST Shareholder or, if he is reasonably believed to be a Qualifying CREST Shareholder, arrange for the CREST Open Offer Entitlements to be credited to the relevant CREST stock account.

Those Overseas Shareholders who wish, and are permitted, to take up their entitlement should note that payments must be made as described in paragraphs 3 and 4 of this Part IV (*Terms and Conditions of the Open Offer*).

The provisions of paragraph 7 of this Part IV (*Terms and Conditions of the Open Offer*) will apply generally to Restricted Shareholders and other Overseas Shareholders who do not or are unable to take up New Ordinary Shares.

Specific restrictions relating to certain jurisdictions are set out below.

(a) *Offering restrictions relating to the United States*

The New Ordinary Shares and the Open Offer Entitlements have not been, and will not be, registered under the US Securities Act or under the securities laws of any state, district or other jurisdiction of the United States. Accordingly, the New Ordinary Shares may not be offered, sold, resold, delivered, distributed or otherwise transferred, directly or indirectly, within the United States unless such offer and sale is made 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 public offer of the New Ordinary Shares or the Open Offer Entitlements in the United States.

The Application Forms will not be sent to, and the Open Offer Entitlements will not be credited to a stock account in CREST of, any Shareholder with a registered address in the United States.

Application Forms should not be postmarked in the United States or otherwise despatched from the United States, and all persons acquiring New Ordinary Shares and wishing to hold such shares in registered form must provide an address for registration of the New Ordinary Shares issued upon exercise thereof outside of the United States.

Neither the New Ordinary Shares, the Form of Proxy, the Application Form, this document nor any other document connected with the Capital Raising have been or will be approved or disapproved by the SEC or by the securities commissions of any state or other jurisdiction of the United States or any other regulatory authority, nor have any of the foregoing authorities or any securities commission passed upon or endorsed the merits of the offering of the New Ordinary Shares, the Form of Proxy, the Application Form, or the accuracy or adequacy of this document or any other document connected with this Capital Raising. Any representation to the contrary is a criminal offence in the United States.

Any person who subscribes for New Ordinary Shares will be deemed to have declared, represented, warranted and agreed to, by accepting delivery of this document or the Application Form or by applying for New Ordinary Shares in respect of Open Offer Entitlements credited to a stock account in CREST, and delivery of the New Ordinary Shares, the representations and warranties set out in paragraph 8 of this Part IV (*Terms and Conditions of the Open Offer*).

The Company reserves the right, with the consent of the Joint Bookrunners, to treat as invalid any Application Form: (i) that appears to the Company or its agents to have been executed in or despatched from the United States; or (ii) where the Company believes acceptance of such Application Form may infringe applicable legal or regulatory requirements, and the Company shall not be bound to issue any New Ordinary Shares in respect of any such Application Form. In addition, the Company reserves the right, in its absolute discretion, with the consent of the Joint Bookrunners, to reject any USE Instruction sent by or on behalf of any CREST member with a registered address in the United States in respect of the New Ordinary Shares.

(b) *Other overseas territories*

Application Forms will be posted to Qualifying Non-CREST Shareholders (other than those Qualifying Non-CREST Shareholders who have registered addresses in the Excluded Territories) and Open Offer Entitlements will be credited to the CREST stock accounts of Qualifying CREST Shareholders (other than those Qualifying CREST Shareholders who have registered addresses in the Excluded Territories). No offer of or invitation to subscribe for New Ordinary Shares is being made by virtue of this document or the Application Form into the Excluded Territories. Overseas Shareholders in jurisdictions other than the Excluded Territories may, subject to the laws of their relevant jurisdiction, accept their entitlements under the Open Offer in accordance with the instructions set out in this document and, in the case of Qualifying Non-CREST Shareholders only, the Application Form.

**Shareholders who have registered addresses in or who are resident in, or who are citizens of, countries other than the United Kingdom should consult their appropriate professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Open Offer Entitlements. If you are in any doubt as to your eligibility to accept the offer of New Ordinary Shares, you should contact your appropriate professional adviser immediately.**

## **8. REPRESENTATIONS AND WARRANTIES RELATING TO OVERSEAS TERRITORIES**

### **8.1 *Qualifying Non-CREST Shareholders***

Subject to certain limited exceptions, any person completing and returning an Application Form or requesting registration of the New Ordinary Shares comprised therein represents and warrants to the Company that:

- (i) such person is not completing and returning such Application Form from within the United States or any other Excluded Territory;
- (ii) such person is not in any territory in which it is unlawful to make or accept an offer to subscribe for New Ordinary Shares or to use the Application Form in any manner in which such person has used or will use it;
- (iii) such person is not acting on a non-discretionary basis on behalf of, or for the account or benefit of, a person located within the United States or any other Excluded Territory or any territory referred to in paragraph (ii) above at the time the instruction to accept or renounce was given unless: (i) the instruction to accept was received from a person outside the United States or other Excluded Territory; and (ii) the person giving such instruction has confirmed that: (A) it has the authority to give such instruction; and (B) either: (I) has investment discretion over such account; or (II) is an investment company that is subscribing for the New Ordinary Shares in an “offshore transaction” within the meaning of Regulation S; and
- (iv) such person is not acquiring New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such New Ordinary Shares into the United States or any other Excluded Territory or any territory referred to in paragraph (ii) above.

The Company may, with the consent of the Joint Bookrunners, treat as invalid any acceptance or purported acceptance of the allotment of New Ordinary Shares comprised in, or renunciation or purported renunciation of, an Application Form if it: (i) appears to the Company to have been executed in or despatched from the United States or any other Excluded Territory or otherwise in a manner which may involve a breach of the laws of any jurisdiction or if the Company believes the same may violate any applicable legal or regulatory requirement; (ii) provides an address in any Excluded Territory, including the United States, for delivery of definitive share certificates for New Ordinary Shares (or any jurisdiction outside the UK in which it would be unlawful to deliver such certificates); or (iii) purports to exclude the representation and warranty required by this section.

### **8.2 *Qualifying CREST Shareholders***

A Qualifying CREST Shareholder who makes a valid acceptance in accordance with the procedure set out in paragraph 4 of this Part IV (*Terms and Conditions of the Open Offer*) represents and warrants to the Company, and the Joint Bookrunners that:

- (i) such person is not within any of the Excluded Territories, including the United States;
- (ii) such person is not in any territory in which it is unlawful to make or accept an offer to acquire or subscribe for New Ordinary Shares;
- (iii) such person is not acting on a non-discretionary basis on behalf of, or for the account or benefit of, a person located within the United States or any other Excluded Territory or any territory referred to in paragraph (ii) above at the time the instruction to accept or renounce was given unless: (i) the instruction to accept was received from a person outside the United States or other Excluded Territory; and (ii) the person giving such instruction has confirmed that: (A) it has the authority to give such instruction; and (B) either: (I) has investment discretion over such account; or (II) is an investment company that is subscribing for the New Ordinary Shares in an “offshore transaction” within the meaning of Regulation S; and

- (iv) such person is not acquiring New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such New Ordinary Shares into the United States or any other Excluded Territory or any territory referred to in paragraph (ii) above.

The Company may, with the consent of the Joint Bookrunners, treat as invalid any USE Instruction which: (i) appears to the Company to have been despatched from the United States or any other Excluded Territory or otherwise in a manner which may involve a breach of the laws of any jurisdiction or which they or their agents believe may violate any applicable legal or regulatory requirement; or (ii) purports to exclude the representation and warranty required by this paragraph.

## **9. FURTHER INFORMATION**

Your attention is drawn to the further information set out in this document and also in the case of Qualifying Non-CREST Shareholders to whom the Company has sent Application Forms, to the terms, conditions and other information printed on the accompanying Application Form.

## **10. WAIVER**

The provisions of paragraphs 7 and 8 of this Part IV (*Terms and Conditions of the Open Offer*) and of any other terms of the Capital Raising relating to Restricted Shareholders may be waived, varied or modified as regards specific Shareholder(s) or on a general basis by the Company in its absolute discretion after consultation with the Joint Bookrunners. Subject to this, the provisions of paragraphs 7 and 8 of this Part IV (*Terms and Conditions of the Open Offer*) supersede any terms of the Open Offer inconsistent herewith. References in paragraphs 7 and 8 of this Part IV (*Terms and Conditions of the Open Offer*) and in this paragraph 10 of Part IV (*Terms and Conditions of the Open Offer*) to Shareholders shall include references to the person or persons executing an Application Form and, in the event of more than one person executing an Application Form, the provisions of this paragraph 10 of Part IV (*Terms and Conditions of the Open Offer*) shall apply jointly to each of them.

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

The result of the Open Offer is expected to be announced on 1 September 2021. The New Ordinary Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the Existing Ordinary Shares. The New Ordinary Shares will be created under the Companies Act and the legislation made thereunder, will be issued in registered form and will be capable of being held in both certificated and uncertificated form. The other rights attached to the New Ordinary Shares are set out in Part III (*Information on the New Ordinary Shares*) of this document.

Application will be made for the New Ordinary Shares to be admitted to listing on the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission of the New Ordinary Shares to be issued pursuant to the Capital Raising will become effective and dealings in the New Ordinary Shares will commence by 8.00 a.m. on 6 September 2021 (whereupon an announcement will be made by the Company to a Regulatory Information Service).

## **12. TIMES AND DATES**

The Company shall in its discretion be entitled to amend the dates that Application Forms are despatched or dealings in New Ordinary Shares commence and amend or extend the latest date for acceptance under the Open Offer and all related dates set out in this document and in such circumstances shall announce such amendments via a Regulatory Information Service and, if appropriate, notify Shareholders.

If a supplementary prospectus is issued by the Company two or fewer Business Days prior to the latest time and date for acceptance and payment in full under the Open Offer specified in this document, the latest date for acceptance under the Open Offer shall be extended to the date that is three Business Days after the date of issue of the supplementary prospectus (and the dates and times of principal events due to take place following such date shall be extended accordingly).

## **13. GOVERNING LAW**

The terms and conditions of the Open Offer as set out in this document and the Application Form and any non-contractual obligation related thereto shall be governed by, and construed in accordance with, the laws of England.

#### **14. JURISDICTION**

The Courts of England are to have exclusive jurisdiction to settle any dispute, whether contractual or non-contractual, which may arise out of or in connection with the Open Offer, this document and the Application Form. By accepting entitlements under the Open Offer in accordance with the instructions set out in this document and, in the case of Qualifying Non-CREST Shareholders only, the Application Form, Qualifying Shareholders irrevocably submit to the exclusive jurisdiction of the Courts of England and Wales and waive 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.

**PART V**  
**INFORMATION ON THE GROUP**

*The following information should be read in conjunction with the information appearing elsewhere in, or incorporated by reference in, this document, including the financial and other information in, or incorporated by reference in, Part XI (Documents Incorporated by Reference) of this document*

**1. HISTORY, DEVELOPMENT AND BUSINESS OVERVIEW OF THE GROUP**

**1.1 Business overview**

The Group is a leading neighbourhood retailer serving the convenience and newsagent sectors with a strong national presence across the UK. As at 30 May 2021, the Group operated 1,068 convenience stores in the UK (the majority being under the McColl's brand) and 154 newsagents under the Martin's brand in England and Wales and the RS McColl brand in Scotland.

The Group employs over 15,000 full-time and part-time employees as at 30 May 2021. The Group has developed a strong national presence and brand awareness across the UK as the majority of its stores are situated in neighbourhood locations and act as a focal point for local communities offering a wide selection of products and services through both its convenience and newsagent store formats.

During the series of national lockdowns resulting from the COVID-19 pandemic, the Group has focussed even more heavily on its support of its communities by offering best-in-class convenience products within a safe, local environment, aiming to serve those communities by becoming the leading grocery-led convenience retailer.

For FY 2020, the Group reported total like-for-like sales growth of 12% with an increase in total revenue of 3.2% to £1.258bn (FY 2019: £1.219bn). The Group achieved an FY 2020 gross margin of 23.9% (FY 2019: 25.9%) and recorded a statutory loss before tax of £5.3 million (FY 2019: loss of £98.6 million). These results reflect a mixture of strong demand, shifts in the product mix desired by customers and higher costs associated with COVID-19 safety measures within stores.

**McColl's-branded convenience stores**

The vast majority of the Group's convenience stores operate under the McColl's-branded format. These stores offer a range of convenience products to local customers including groceries (encompassing chilled and fresh products), fruit and vegetables, ready meals, and alcohol.

In Q1 2020, the Group completed the transition to an exclusive supply arrangement with Morrisons pursuant to which Morrisons acts as the sole wholesale supplier, of most of the Group's in-store products for retail, to the entire estate of McColl's branded convenience stores. This supply arrangement enables supermarket quality fresh food and groceries to be made available to the Group's customers via the Safeway brand. Morrisons own-brand products are also available in the Morrisons Daily stores.

**Morrisons Daily stores**

The Group has converted 56 McColl's-branded convenience stores to become 'Morrisons Daily' stores. These convenience stores continued to be managed directly by the Group, but under their Morrisons branding make available a broader range of food and grocery items at an affordable price. In the Company's experience so far, newly converted Morrisons Daily stores experience revenue uplifts almost immediately, representing a short maturity period for each store conversion.

Over the next three years, the Group plans to convert 350 McColl's-branded stores into Morrisons Daily stores (including the 56 that have already been converted).

**Newsagents**

Newsagents are typically the smaller stores in the Group's portfolio and primarily stock confectionery, tobacco and news related products. The newsagents are mainly supplied by Morrisons and also provide various services to local communities such as ATMs, Post Office, lottery tickets and Collect+.

**Product mix**

For FY 2020, product mix appeared to be affected by lifestyle changes resulting from the COVID-19 pandemic. With individuals restricted to working from home and less able to make frequent trips to local

stores, the average number of visits to convenience stores per week reduced and the size of shopping basket per trip increased. Trips to convenience stores also became more food-based.

Certain product categories benefited in particular from this trend. Fresh food, alcohol (beers, wines and spirits) and tobacco recorded rapid increases, whilst certain products such as food-to-go, impulse confectionery, snacks and soft drinks recorded a reduced share of the product mix.

## 1.2 *History and development of the Group*

Key milestones in the Group's development include the following:

<u>Date</u>	<u>Event</u>
1973 . .	James Lancaster established the Group as a division of Gallaher Limited. The Group originally focused on automatic vending operations.
1994 . .	The Group took over the management of the Forbuoys chain of 701 newsagents, a subsidiary of Gallaher Limited. The Group commenced its strategy to convert suitable newsagents within its store portfolio into Convenience stores and the Group's first Convenience stores were opened.
1995 . .	The Group was acquired from Gallaher Limited in a management buyout led by James Lancaster.
1998 . .	Acquisition of the Martin's chain of 781 Newsagents and Convenience stores. Martin's was the owner of RS McColl, a brand with strong heritage in Scotland dating back to 1901. The Group became the largest neighbourhood newsagent and convenience store retailer in the UK and completed a high yield bond dividend recapitalisation.
2000 . .	Sale of the Group's automatic vending interests to focus entirely on its convenience and newsagent operations.
2004 . .	Acquisition of the Dillons Stores Limited chain of 181 newsagents from Tesco plc.
2005 . .	The Group completed a secondary management buyout.
2006 . .	The Group consolidated its existing store fascias into the core brands of McColl's for Convenience stores and Martin's and RS McColl for Newsagents.
2007 . .	Acquisition of Smile Stores Ltd, predominantly a convenience store chain operating 92 stores in south west England.
2008 . .	Acquisition of 27 Bells and Jacksons convenience stores from J Sainsbury plc.
2009 . .	Sale of the Group's hospital shop division of 27 stores to Compass Group plc.
2011 . .	The Group introduced its Food and Wine store format and commenced the conversion of certain of its Newsagents into Food and Wine stores.
2014 . .	The Company's share capital was listed on the Official List and to trading on the London Stock Exchange's main market for listed securities.
2016 . .	Jonathan Miller became the Group's CEO. The Group's 1,000 <sup>th</sup> convenience store was opened in Slade Green, Erith, and obtains final and unconditional approval from the CMA in respect of its acquisition of 298 convenience stores from the Co-op Group.
2017 . .	The Group announced a new supply partnership with Morrisons.
2018 . .	The Group launched the Safeway brand of fresh food and groceries into its convenience stores.
2020 . .	The Group agreed to continue its supply agreement with Morrisons for the next 6 years, with Morrisons becoming the sole wholesale supplier to the Group's full estate of convenience stores. The Group converted 31 McColl's-branded convenience stores into 'Morrisons Daily' stores, thereby making a range of Morrisons own-brand products available to the Group's customers under Morrisons-branded fascia. The Group renewed its existing banking facilities with a revised maturity date of February 2024 so as to support its ongoing investments in its strategic objectives. Giles David became the Group's CFO.
2019–21	In the context of the COVID-19 pandemic, the Group focussed on delivering a local, grocery-led convenience offering to communities within a safe environment.



### 1.3 *The UK convenience and newsagent sectors and competition*

The Group operates across two market segments: the convenience sector and the newsagent sector.

#### **Convenience sector**

The convenience sector is highly fragmented, with approximately 47,000 stores in the mainland UK. The sector can be broadly split into five categories:

- co-operatives (e.g. the Co-op Group and regional co-operatives);
- multiples which include convenience specialists such as the Group, One Stop and some Supermarket based chains (e.g. Sainsbury's Local and Tesco Express);
- symbols (e.g. Bestway, Costcutter, Londis, Mace, Nisa, Premier and Spar);
- independents; and
- forecourts.

Recent research indicates that the convenience sector as a whole experienced 7.7% turnover growth in 2020 to a total of £47.5 bn. The turnover growth was mainly driven by the performance of independent convenience stores.

Mintel has previously estimated that convenience will decline by 3.9% in 2021, and return to reduced levels of growth of 2-3% up until 2024. The Institute of Grocery Distribution, meanwhile, has estimated that the convenience channel will attain a total market share of 22% in 2022, mainly to the detriment of larger stores including supermarkets.

The Directors believe that this recent growth in local convenience shopping has been driven by a number of factors, largely within the context of the novel effects of the COVID-19 pandemic:

- the reduced ability of consumers to visit restaurants and pubs, resulting in increased use of convenience stores to purchase typical hospitality items such as alcohol and snacks to consume at home;
- the increased number of people working from home who are restricted in making trips out, who thereby make greater use of COVID-19 safe local stores for necessary grocery and household essential purchases instead of driving to out-of-town supermarkets;
- an improvement in convenience store standards and products; and
- convenience stores offering e-commerce solutions whereby online orders can be collected or returned in-store.

The Directors believe that the competitiveness within the convenience sector has intensified in the context of the COVID-19 pandemic as consumers increasingly look to choose between appropriate local convenience offerings. In response to the increased competition, retailers are seeking new ways to differentiate themselves from other operators by offering high quality grocery options alongside essential in-store services (such as 'click and collect' and parcel pickup) within COVID-19 safe environments.

The Directors believe that the Group is well placed to capitalise on the continued growth of the UK convenience sector, although the overall growth rate in the sector is expected to slow in the second half of 2021 as COVID-19 restrictions reduce and consumers spend less time working from home. The current intention of the Group is to continue the ongoing conversion of McColl's-branded convenience stores into Morrisons Daily stores, and to continue optimising the existing state by closing lower margin stores and focussing on larger, more profitable, grocery-led stores.

#### **Newsagent sector**

Similar to the convenience sector, the newsagent sector is highly fragmented. It consists of a few large players at one end of the spectrum and a number of smaller, independent operators at the other.

The Directors believe that the convenience sector, rather than the newsagent sector, offers the most significant opportunities for growth. Consequently, the Group has recently focussed on estate optimisation by closing 179 stores in 2020 (particularly underperforming and lower margin newsagents) and converting other newsagents into food-led convenience stores.

## 1.4 Strategy

In the context of the recent trends associated with the COVID-19 pandemic, the Group's strategy is to continue supporting local communities by improving the fresh food and grocery mix available in stores, becoming a grocery-led convenience store operator supplemented by a strong online offering. The Directors intend to achieve this strategy by:

- continuing to capitalise on the exclusive Wholesale Supply Agreement with Morrisons in order to make best-in-class groceries available to customers across the store estate;
- converting a total of 350 stores into Morrisons Daily stores from 56 currently, bringing customers Morrisons own-brand products within a recognisable Morrisons store fascia;
- investing selectively in price on chilled foods, fruit and vegetables, and milk, as well as maintaining the Group's existing promotional programme;
- making available to customers online deliveries of grocery and household products through an agreement with Uber Eats; and
- consolidating the store estate by closing low margin stores, and optimising the store space and operations of remaining stores to improve efficiency and reduce costs.

In addition to the above, the Group's strategy includes maintaining a profitable Newsagent portfolio in order to make vital services such as ATMs, Post Office and Collect+ available to local communities.

The Directors believe that the implementation of this strategy will facilitate a normalisation of the Group's sales mix through a reversion to more frequent purchases of impulse products alongside continued offerings of high quality day-to-day groceries at a good price. These developments should enable the Group to deliver sustained profitable growth in coming years as the UK exits COVID-19 restrictions.

## 1.5 Current trading and prospects

Please refer to paragraph 6 (*Current trading and outlook*) of Part I (*Letter from the Chairman of McColl's Retail Group plc*) for details of the Group's current trading and prospects.

## 2. SALES AND MARKETING

The Group actively promotes certain products to increase footfall and sales. These promotions are regularly updated to reflect current trends and seasonality, and for the duration of the COVID-19 pandemic have been maintained alongside selective investment in the price of chilled foods, fruit, vegetables and milk.

The Directors closely monitor the pricing and volume of products sold by the Group and are prepared to support a reduction in price or an increase in promotional activity in order to maintain sales. Similarly, the Group operates a decentralised pricing model in which each regional manager has the flexibility to propose pricing levels for key product categories within a range of price tiers such that each store can be competitive on price thereby maintaining customer footfall and market share.

As part of the Group's strategy to attain a leading position as a convenience grocery provider, 350 McColl's-branded convenience stores are due to be converted into Morrisons Daily stores. These stores will continue to be directly operated by the Group but under recognisable Morrisons branding, making available to customers Morrisons own-brand products. The remaining McColl's-branded convenience stores and Group newsagents will benefit from an optimisation of store space through improved store formats, fixtures and store clusters.

## 3. PROCUREMENT

In 2017, the Group entered into the Wholesale Supply Agreement with Morrisons, further details of which can be found at paragraph 19 of Part X (*Additional Information*) of this document. Under this agreement, the Group appointed Morrisons as its exclusive wholesale supplier for the majority of its store estate, substantially replacing the Group's previous supply arrangements with Nisa and Palmer & Harvey respectively (although Nisa continued to supply 298 stores which had previously been acquired by the Group from the Co-op Group for a transitional period).

The Morrisons relationship gives McColl's access to a nationwide distribution network, Morrisons's product range and the Safeway brand, while also leveraging Morrisons's significant purchasing power and

logistics experience. The agreement makes Morrisons the sole wholesale supplier to the Group of most of its in-store products for retail, but permits the Group to obtain a limited number of product categories from third party suppliers.

In March 2021, the Group announced that it was extending its partnership with Morrisons with a three year extension to the agreement until 2027. The Group also announced that Morrisons would now supply all of the c.1,200 stores within the Group's estate, a rollout of the Morrisons Daily franchise to 300 stores following a successful pilot in 31 stores, and the Group's continued use of the Safeway brand with product range extensions planned.

In addition to its wholesale agreement with Morrisons, the Group has direct supply agreements with major consumer goods providers such as Mondelez and Coca-Cola. The Group continues to hold high-level meetings with all key suppliers throughout 2021 in order to maintain the best possible value and range of products.

All suppliers deliver their stock directly to the Group's stores and all stock owned by the Group is held in its stores, which removes the need for the Group to have its own warehousing and distribution network. The Group's approach of purchasing from wholesale suppliers and distributors means the Group avoids the investment and working capital costs associated with maintaining a full 'in house' distribution network.

#### 4. INSURANCE

The Group maintains commercial insurance that is customary for businesses of its size and type. These policies cover a variety of areas including, but not limited to, terrorism, business interruption, public and products liability, and directors' and officers' liability in a form, and with such limits, as the Board believes are customary for businesses of its size and type.

#### 5. EMPLOYEES

As at 30 May 2021, the Group employed approximately 15,297 full and part-time employees (compared to 16,413 at the end of FY 2020) of which approximately 6,151 were full-time equivalent employees. Of these employees, 390 were based in the head office or field support with the remainder being store employees.

The table below shows the average number of employees, including the Executive Directors, employed by the Group during the following periods: the 52 weeks ended 25 November 2018, the 52 weeks ended 24 November 2019 and the 53 weeks ended 29 November 2020.

	<u>52 weeks ended 25 November 2018</u>	<u>52 weeks ended 24 November 2019</u>	<u>53 weeks ended 29 November 2020</u>
Retailing . . . . .	20,507	18,857	17,714
Central administration . . . . .	507	457	475
	<u>21,014</u>	<u>19,314</u>	<u>18,189</u>

The Group is committed to a policy of equal opportunities for staff at all levels and provides direct employment and career development to thousands of employees across the UK. The Group is dedicated to training and development. The Group also provides opportunities for large numbers of people seeking flexible or part-time hours.

During the COVID-19 pandemic, the Group made use of the UK Government's Coronavirus Job Retention Scheme. This support enabled some of the Group's most vulnerable employees to be placed on furlough. The Group is also committed to adhering to legislative requirements in respect of the National Minimum and Living wage.

#### 6. TREND INFORMATION

Please refer to paragraph 2 of Part I (*Letter from the Chairman of McColl's Retail Group plc*) for information on trends.

#### 7. INTELLECTUAL PROPERTY

The Group's key brands are the McColl's, Martin's and RS McColl names. The Group's portfolio of registered trade marks includes four UK marks which protect the McColl's, Martin's and RS McColl

names and logos in addition to a number of other trade marks. The Group also owns a number of domain name registrations, including the domain name for its main website, www.mccollsplc.co.uk, but does not own any other registered rights (for example, patents, registered designs or trade mark registrations outside the United Kingdom).

## **8. LEGAL PROCEEDINGS**

Save for the below in relation to Livingstone, there are no governmental, legal or arbitration proceedings (including any such proceedings pending or threatened of which the Company is aware) during the period covering the twelve months preceding the date of this document, which may have, or have had in the recent past, significant effects on the financial position or profitability of the Company and/or the Group.

On 18 May 2021 the Group exercised its rights and terminated its FM Services Agreement with Livingstone Consultancy Limited (“**Livingstone**”) for cause. In order for the Group to orderly exit its relationship with Livingstone it tabled a settlement agreement on 16 June 2021 to finalise all matters between the parties and which included a proposed payment of £1.585 million to Livingstone to settle (a sum which the Group considers accurately reflects its outstanding liability for the cost of Livingstone’s service provision and in relation to which a provision of £1.585 million is included in the unaudited interim accounts for the twenty six week period ended 30 May 2021).

On 18 June 2021 in a “letter before action” Livingstone, via its solicitors, rejected the Group’s settlement proposal and alleged, without any proper justification, that (i) the Group had terminated the FM Services Agreement on unsubstantiated grounds and in breach of the termination provision therein, (ii) such termination was ineffective and (iii) further alleged they are due £2,342,355.36 (inclusive of VAT) for the provision of services plus “loss of bargain” damages in the sum of £2,304,825. The Group formally responded to Livingstone’s solicitors on 26 June 2021 asking for the provision of data and documentation to substantiate the sums set out in the Livingstone letter of 18 June 2021. To date that requested data and documentation remains outstanding.

The Directors strongly refute the allegations made by Livingstone in its 18 June 2021 letter and believe that the allegations have been made without any proper justification and are unsubstantiated.

## **9. REGULATORY**

The Group is subject to various laws and regulations affecting the operation of its business. Each of the Group’s stores is subject to laws and regulations concerning labour, health, sanitation and safety as well as planning permission requirements for store development and expansion. In addition, the Group is subject to UK competition law, which, among other things, may result in inquiries into the Group’s plans to acquire new businesses or stores.

As a public company registered in the United Kingdom the Group is subject to the regulatory framework operated by the London Stock Exchange including, but not limited to, Disclosure Guidance and Transparency Rules, the Companies Act, Listing Rules and relevant tax and accounting legislation.

Since the period covered by the latest published audited financial statements, there have been no material changes in the Group’s regulatory environment save for the end of the implementation period between the UK and European Union which expired on 31 December 2020. On 1 January 2021, the Trade and Cooperation Agreement came into effect, providing a new framework of partnership between the UK and European Union in respect of areas including goods and services. Future changes to UK statute and regulations can be expected in wake of the introduction of the Trade and Cooperation Act, along with the potential imposition of customs checks at borders between the UK and European Union.

Morrisons, the Group’s key supply chain provider, is an authorised economic operator in Europe, lessening the effect of border customs checks on the Group’s deliveries. The Group nonetheless continues to monitor the impact of these regulatory developments, particularly from a supply chain perspective.

When conducting its business, the Group has to comply with local laws and regulations, most recently in response to localised changes as part of the COVID-19 pandemic.

## **10. DIVIDEND POLICY**

Subject to the provisions of the Companies Act and the Articles, the Company may pay dividends upon a recommendation by the Board and approval by a majority of the Shareholders, who have the right to decrease but not to increase the amount of the dividend recommended by the Board. Such dividends are

known as final dividends and become a debt payable to Shareholders when they are approved by the Shareholders. Subject to the provisions of the Companies Act and the Articles, the Board may declare and pay dividends without Shareholder approval. Such dividends are known as interim dividends and, unlike final dividends, become a debt payable to the Shareholders only upon actual payment.

The Board understands that dividend payments are an important part of the Group's returns to Shareholders and believes in balancing those returns to Shareholders with investment in the business to support future growth. However, the Board has not declared any dividend (final or interim) for FY 2020 or a final dividend for FY 2019 for reasons of affordability and because the Company is currently restricted from paying a dividend until certain conditions of its Amended Credit Facility are satisfied (including achieving Group leverage below 1.75x trailing EBITDA). The Board does not expect that the funds received by the Group pursuant to the Capital Raising will be sufficient to reduce the leverage below 1.75x trailing EBITDA. The Board will keep the Group's dividend policy under review with the aim of reinstating the payment of dividends at an affordable and sustainable level once the Group's strategic change programme has gathered momentum and the Group has de-levered.

## **11. FURTHER INFORMATION**

Prospective investors should consider carefully the additional information set out in the other parts of this document and, in particular, the "*Risk Factors*" section of this document.

**PART VI**  
**HISTORICAL FINANCIAL INFORMATION**

**1. Historical Financial Information**

The following documents have been filed with the FCA and are available for inspection in accordance with paragraph 17 of Part X (*Additional Information*):

- McColl's's unaudited interim results for the twenty-six week period ended 30 May 2021; and
- McColl's's annual report and accounts for FY 2020.

**2. Information incorporated by reference**

The table below sets out the various sections of the documents referred to above which are incorporated by reference into, and form part of, this document so as to provide certain information required pursuant to the Prospectus Regulation Rules, and only the parts of the documents identified below are incorporated into, and form part of, this document. Any parts of the following documents which are not incorporated by reference into this document are either not relevant for the investor or covered elsewhere in this document. To the extent that any part of the information referred to below itself contains information which is incorporated by reference, such information shall not form part of this document.

**2.1 Unaudited interim results for the twenty-six week period ended 30 May 2021**

The page numbers below refer to the relevant pages of the interim results for the twenty-six week period ended 30 May 2021:

<u>Information incorporated by reference</u>	<u>Page numbers in such document</u>
Consolidated income statement . . . . .	11
Consolidated statement of comprehensive income . . . . .	11
Consolidated statement of financial position . . . . .	13
Consolidated statement of changes in equity . . . . .	14
Consolidated cash flow statement . . . . .	15
Notes to the condensed consolidated financial statements . . . . .	17
Independent review report . . . . .	35

**2.2 Financial statements for FY 2020, together with the independent audit report thereon**

The page numbers below refer to the relevant pages of the Annual Report and Accounts for FY 2020:

<u>Information incorporated by reference</u>	<u>Page numbers in such document</u>
Audited remuneration information . . . . .	76 to 81
Independent auditor's report . . . . .	90 to 96
Consolidated income statement . . . . .	97
Consolidated statement of comprehensive income . . . . .	97
Consolidated statement of financial position . . . . .	98
Consolidated statement of changes in equity . . . . .	99
Consolidated cash flow statement . . . . .	100
Notes to the consolidated financial statements . . . . .	101 to 129

**PART VII**  
**UNAUDITED PRO FORMA FINANCIAL INFORMATION**  
**SECTION A**

The following unaudited pro forma statement of net assets of the Group (the “pro forma financial information”) has been prepared to illustrate the effect on the consolidated net assets of the Group as if the Capital Raising had taken place on 30 May 2021.

The pro forma financial information has been prepared for illustrative purposes only and illustrates the impact of the Capital Raising as if it had been undertaken at an earlier date. As a result, the hypothetical financial position or results included in the pro forma financial information may differ from the Group’s actual financial position or results.

The pro forma financial information is based on the consolidated net assets of the Group as at 30 May 2021, set out in the unaudited consolidated interim financial statements of the Group for the period ended 30 May 2021, on which a review report has been published.

The pro forma financial information has been prepared in a manner consistent with the accounting policies adopted by the Company in preparing such information, in accordance with Annex 20 of the UK Prospectus Regulation and on the basis set out in the notes below.

The pro forma financial information does not constitute financial statements within the meaning of Section 434 of the Companies Act 2006. Shareholders should read the whole of this document and not rely solely on the summarised financial information contained in this Part VII (*Unaudited Pro Forma Financial Information*) of this document.

BDO LLP’s report on the pro forma financial information is set out in Section B of this Part VII (*Unaudited Pro Forma Financial Information*) of this document.

## Pro forma statement of net assets

<u>Note</u>	<u>Group as at 30 May 2021<sup>(1)</sup></u> £ million	<u>Adjustment for the Capital Raising<sup>(2)</sup></u> £ million	<u>Pro forma net assets of the Group</u> £ million
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment . . . . .	232.0	—	232.0
Intangible assets . . . . .	160.3	—	160.3
Deferred tax assets . . . . .	5.4	—	5.4
Retirement benefit asset . . . . .	9.9	—	9.9
Trade and other receivables . . . . .	2.6	—	2.6
<b>Total non-current assets</b> . . . . .	<b>410.2</b>	<b>—</b>	<b>410.2</b>
<b>Current assets</b>			
Inventories . . . . .	74.9	—	74.9
Trade and other receivables . . . . .	29.5	—	29.5
Cash and cash equivalents . . . . .	31.4	32.7	64.1
<b>Total current assets</b> . . . . .	<b>135.8</b>	<b>32.7</b>	<b>168.5</b>
<b>Total assets</b> . . . . .	<b>546.0</b>	<b>—</b>	<b>578.7</b>
<b>Current liabilities</b>			
Trade and other payables . . . . .	(186.6)	—	(186.6)
Loans and borrowings . . . . .	(31.1)	—	(31.1)
Provisions . . . . .	(0.7)	—	(0.7)
<b>Total current liabilities</b> . . . . .	<b>(218.4)</b>	<b>—</b>	<b>(218.4)</b>
<b>Net current liabilities</b> . . . . .	<b>(82.6)</b>	<b>32.7</b>	<b>(49.9)</b>
<b>Non-current liabilities</b>			
Loans and borrowings . . . . .	(292.4)	—	(292.4)
Other payables . . . . .	(5.2)	—	(5.2)
Provisions . . . . .	(5.1)	—	(5.1)
Deferred tax liabilities . . . . .	(5.4)	—	(5.4)
Retirement benefit obligations . . . . .	(3.6)	—	(3.6)
<b>Total non-current liabilities</b> . . . . .	<b>(311.7)</b>	<b>—</b>	<b>(311.7)</b>
<b>Total liabilities</b> . . . . .	<b>(530.1)</b>	<b>—</b>	<b>(530.1)</b>
<b>Net assets</b> . . . . .	<b>15.9</b>	<b>32.7</b>	<b>48.6</b>

### Notes

(1) The net assets of the Group at 30 May 2021 have been extracted without material adjustment from the Group's unaudited interim accounts for the twenty six weeks ended 30 May 2021, incorporated by reference in Part XI (*Documents Incorporated by Reference*) of this document.

(2) The adjustment to reflect the impact of the Capital Raising (on the assumption that the maximum number of Open Offer Shares made available under the Open Offer are issued) is an increase in cash, being:

Gross proceeds (see section 3 of Part 1 ( <i>Letter from the Chairman of McColl's Retail Group Plc</i> ) of this document) . . . . .	£35.0 million
Fees, excluding VAT (see Section 16 of Part X ( <i>Additional Information</i> ) of this document) . . . . .	£2.3 million
	<u>£32.7 million</u>

(3) No account has been taken of the trading of the Group since 30 May 2021, nor of any other event save as disclosed above.



**SECTION B**  
**REPORT ON PRO FORMA FINANCIAL INFORMATION**



BDO LLP  
3 Hardman Street  
Manchester  
M3 3AT

The Directors  
McColl's Retail Group plc  
Ground Floor West  
One London Road  
Brentwood, Essex  
CM14 4QW

13 August 2021

Panmure Gordon (UK) Limited  
One New Change  
London  
EC4M 9AF

Dear Sir or Madam

**McColl's Retail Group plc (the "Company")**

**Pro forma financial information**

We report on the unaudited pro forma statement of net assets (the "Pro Forma Financial Information") set out in Section A of Part VII of the prospectus of the Company dated 13 August 2021 (the "Prospectus").

**Opinion**

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

**Responsibilities**

It is the responsibility of the directors of the Company (the "Directors") to prepare the Pro Forma Financial Information in accordance with Annex 20 of the UK Prospectus Regulation.

It is our responsibility to form an opinion, as required by section 3 of Annex 20 of the UK Prospectus Regulation, as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed at the date of their issue.

Save for any responsibility arising under Prospectus Regulation Rule 5.3.2R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by the 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 item 1.3 of Annex 3 of the UK Prospectus Regulation, consenting to its inclusion in the Prospectus.

**Basis of preparation**

The Pro Forma Financial Information has been prepared on the basis described, for illustrative purposes only, to provide information about how the Capital Raising might have affected the financial information presented

on the basis of the accounting policies adopted by the Company in preparing the interim financial statements for the twenty-six week period ended 30 May 2021.

This report is required by section 3 of Annex 20 of the UK Prospectus Regulation and is given for the purpose of complying with that item and for no other purpose.

### **Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Financial Reporting Council of the United Kingdom. We are independent in accordance with the Financial Reporting Council's Ethical Standard as applied to Investment Circular Reporting Engagements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

### **Declaration**

For the purposes of Prospectus Regulation Rule 5.3.2R(2)(f) we are responsible for this report as part of the Prospectus and declare that, to the best of our knowledge, the information contained in this report is in accordance with the facts and makes no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex 3 of the UK Prospectus Regulation.

Yours faithfully

BDO LLP

Chartered Accountants

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

**PART VIII**  
**CAPITALISATION AND INDEBTEDNESS**

The following tables set out the Group's capitalisation and indebtedness as at the dates indicated.

The table below sets out the consolidated gross indebtedness and capitalisation of the Group as at 30 May 2021.

	<u>As at 30 May 2021 Unaudited</u> £million
<b>Shareholder's equity</b>	
Share capital . . . . .	0.1
Share premium . . . . .	<u>12.6</u>
<b>Total equity</b> . . . . .	<u>12.7</u>
	<u>As at 30 May 2021 Unaudited</u> £million
<b>Total current debt</b>	
Bank borrowings . . . . .	10.0
Lease liabilities . . . . .	<u>21.1</u>
<b>Current debt</b> . . . . .	<u>31.1</u>
<b>Total non-current debt (excluding current portion of long-term debt)</b>	
Bank borrowings . . . . .	131.1
Lease liabilities . . . . .	<u>161.3</u>
<b>Non-current debt</b> . . . . .	<u>292.4</u>
	<u>323.5</u>
<b>Total indebtedness</b> . . . . .	<u>323.5</u>

The Group's bank borrowings are secured and unguaranteed while its lease liabilities are unsecured and unguaranteed.

The following table sets out the Group's net indebtedness as at 30 May 2021.

	<u>As at 30 May 2021 Unaudited</u> £million
Cash . . . . .	<u>31.4</u>
Bank borrowings—current portion . . . . .	(10.0)
Lease liabilities—current portion . . . . .	<u>(21.1)</u>
<b>Total current debt</b> . . . . .	<u>(31.1)</u>
<b>Net current financial indebtedness</b> . . . . .	<u>0.3</u>
Bank borrowings—non-current portion . . . . .	(131.1)
Lease liabilities—non-current portion . . . . .	<u>(161.3)</u>
<b>Total non-current debt</b> . . . . .	<u>(292.4)</u>
<b>Net financial indebtedness</b> . . . . .	<u>(292.1)</u>

**PART IX**  
**UK TAXATION**

**(a) *General***

The following statements do not constitute legal or tax advice and are intended to apply only as a general guide relevant to prospective investors in shares, as to the position under current UK tax law and what is understood to be the current published practice of HMRC (which may not be binding) as at the date of this document, either of which is subject to change at any time (possibly with retroactive effect).

They are not intended to be an exhaustive analysis of all potential UK tax consequences of acquiring, holding or disposing of shares and in particular do not include a consideration of the potential UK inheritance tax consequences of holding shares. Except where otherwise expressly stated, they apply only to Qualifying Shareholders who are resident and (in the case of individuals) domiciled for tax purposes in (and only in) the UK, to whom split-year treatment does not apply, who are neither Scottish taxpayers nor Welsh taxpayers, who hold their Ordinary Shares as an investment (other than in an individual savings account or pension arrangement), and who are the absolute beneficial owners of the Ordinary Shares (and any dividends paid on them).

They may not apply to certain Qualifying Shareholders, such as (but not limited to) traders, brokers, banks, financial institutions, investment companies, dealers in securities, insurance companies, collective investment schemes, pension schemes, Qualifying Shareholders who are exempt from tax, persons connected with the Company or the Group, persons holding Shares as part of hedging or conversion transactions, Shareholders who are not domiciled or not resident solely in the UK, trusts trustees and personal representatives of deceased persons, and those who hold 5 per cent. or more of the Shares, and Qualifying Shareholders who have (or are deemed to have) acquired their Ordinary Shares by virtue of an office or employment. Such persons may be subject to special rules. Nor do the following statements consider the tax position of any person holding investments in any HMRC-approved arrangements or schemes, including (but not limited to) the enterprise investment scheme, venture capital scheme or business expansion scheme, able to claim any inheritance tax relief or any non-UK resident Shareholder holding Shares in connection with a trade, profession or vocation carried on in the UK (whether through a branch or agency or, in the case of a corporate Shareholder, a permanent establishment or otherwise).

**Any person who is in any doubt as to his or her tax position or who may be subject to tax in any jurisdiction other than the United Kingdom is strongly advised to consult an appropriate professional tax adviser without delay.**

**(b) *Taxation of chargeable gains***

*New Ordinary Shares acquired pursuant to the Open Offer*

As a matter of UK law, the acquisition of Open Offer Shares by Qualifying Shareholders pursuant to the Open Offer may not technically constitute a reorganisation of the share capital of the Company for the purposes of UK taxation of chargeable gains. The published practice of HMRC to date has been to treat an acquisition of shares by an existing shareholder up to his pro rata entitlement pursuant to the terms of an open offer as a reorganisation but it is understood that HMRC may not apply this practice in circumstances where an open offer is not made to all shareholders (as is the case here). Specific confirmation as to whether the Open Offer will be treated as a reorganisation has not been requested from HMRC.

If, or to the extent that, the issue of the New Ordinary Shares by the Company is regarded as a reorganisation of the Company's share capital for the purposes of UK taxation on chargeable gains, Qualifying Shareholders should not be treated as acquiring a new asset, nor as making a disposal of any part of their corresponding holding of Ordinary Shares, by reason of taking up all or part of their entitlements to New Ordinary Shares. Instead, the New Ordinary Shares so allotted, will, for the purposes of UK tax on chargeable gains, be treated as having been acquired at the same time as the Shareholder's existing holding of Ordinary Shares was acquired. The amount of subscription monies paid for such New Ordinary Shares will be added to the allowable expenditure (or 'base cost') for the Shareholder's existing holding(s) of Ordinary Shares.

If, or to the extent that, the acquisition of Open Offer Shares under the Open Offer is not regarded by HMRC as a reorganisation, the Open Offer Shares acquired by each Shareholder under the Open Offer will, for the purposes of UK taxation of chargeable gains, be treated as acquired as part of a separate acquisition of shares when computing any gain or loss on any subsequent disposal. When computing any gain or loss on a

disposal of shares, for UK chargeable gains purposes, HMRC's share identification provisions will need to be taken into consideration.

#### *New Ordinary Shares acquired pursuant to the Firm Placing*

The issue of New Ordinary Shares under the Firm Placing will not constitute a reorganisation of share capital for the purposes of the UK taxation of chargeable gains and, accordingly, any New Ordinary Shares acquired pursuant to the Firm Placing will be treated as acquired as part of a separate acquisition of shares.

#### *Disposals*

If a Shareholder sells or otherwise disposes of all or some of the New Ordinary Shares allotted to him (including a disposal on a winding-up of the Company), he may, depending on his circumstances, incur a liability to UK taxation on any chargeable gain realised, as detailed further in the following paragraphs.

##### *(i) Individual Qualifying Shareholders*

Individual Shareholders who are resident in the UK may be liable to UK taxation on capital gains arising from the sale or other disposal of their New Ordinary Shares. Individuals generally compute their gains by deducting from the net sale proceeds the capital gains base cost in respect of their New Ordinary Shares. The resulting gains will be taxable at the capital gains tax rate applicable to the individual. The current headline rates of capital gains tax for the 2021/22 tax year are 10 per cent. and 20 per cent. for individuals for gains other than those made which relate to disposals of residential property and/or carried interest receipts relating to investment management services provided. Certain reliefs or allowances may be available depending on the individual circumstances of the Shareholder, including the availability of an annual exempt amount which allows an individual to make a certain amount of gain each year before such gain becomes subject to tax in the UK. For 2021/22 this annual exempt amount is £12,300.

Shareholders who are individuals and who are temporarily non-resident in the UK may, under anti-avoidance legislation, still be liable to UK tax on any capital gain realised (subject to any available exemption or relief), as discussed further below.

##### *(ii) Individual non-resident Qualifying Shareholders*

Individuals who are temporarily non-resident may, in certain circumstances, be subject to UK capital gains tax in respect of gains realised while they are not resident in the UK. Temporary non residence for these purposes refers to the situation in which the individual Shareholder ceases to be tax resident in the UK (or is treated as having ceased to be tax resident in the UK for the purposes of the double tax treaty) for a period of five tax years or fewer, and who disposes of his New Ordinary Shares during that period of temporary non residence. Such an individual may be liable to UK capital gains tax on a chargeable gain accruing on the disposal on his return to the UK under certain anti-avoidance rules (subject to the relevant conditions being met and any available exemption or relief).

Subject to the paragraph above, a Shareholder who is not resident in the UK for tax purposes and who realises a gain will not generally be liable to UK taxation on chargeable gains. However, such a Shareholder who is an individual may be liable to UK tax on chargeable gains if, at the relevant time that Shareholder carries on a trade, profession or vocation in the UK through a branch or agency and the New Ordinary Shares, are, or have been, used, held or acquired for the purposes of such trade, profession or vocation or for the purposes of such branch or agency. In addition, chargeable gains realised by non-residents on the disposal of interests in UK land, or assets deriving at least 75 per cent. of their value from UK land where the non-resident has a substantial indirect interest in that land might be subject to UK tax (depending on the availability of exemptions including a potential exemption where the property in case is used in an ongoing trade). Shareholders who are not UK resident for tax purposes may be subject to non UK tax on any gains under local law.

##### *(iii) Corporate Qualifying Shareholders*

Corporate Qualifying Shareholders within the charge to UK corporation tax which realise a gain will, subject to the availability of any exemptions, reliefs and/or allowable losses, be subject to corporation tax (at a current rate of 19 per cent., but the main rate of corporation tax will be rising to 25 per cent. from 1 April 2023, pursuant to Finance Act 2021).

*(iv) Corporate non-resident Qualifying Shareholders*

A corporate Shareholder which is not resident in the UK for tax purposes and which realises a gain will not generally be liable to UK taxation on chargeable gains.

However, a corporate Shareholder which is not UK resident but carries on a trade in the UK through a permanent establishment may be liable to UK tax on chargeable gains if it disposes of New Ordinary Shares which are, at or before the time the gain accrues, used in or for the purposes of that trade or for the purposes of the permanent establishment. In addition, chargeable gains realised by non-residents on the disposal of interests in UK land, or assets deriving at least 75 per cent. of their value from UK land where the non-resident has a substantial indirect interest in that land might be subject to UK tax (depending on the availability of exemptions including a potential exemption where the property in case is used in an ongoing trade).

**(c) Stamp duty and SDRT**

The statements below are intended as a general guide to the current UK stamp duty and SDRT position. The comments below relating to stamp duty and SDRT apply whether or not a Qualifying Shareholder is resident in the UK, but it should be noted that certain categories of person, including market makers, brokers, dealers and other specified market intermediaries, may be entitled to exemption from stamp duty and SDRT in respect of purchases of securities in specified circumstances. Other categories of person (including persons connected with depositary arrangements and clearance services), may be liable at a higher rate of 1.5 per cent. or may, although not primarily liable for tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

There should be no liability to stamp duty or SDRT arising on the allotment of the Placing Shares or on the issue of the Open Offer Shares by the Company. The registration of and the issue of definitive share certificates to Qualifying Shareholders or the first registration of Placing Shares in the name of a member of CREST should not give rise to any liability to stamp duty or SDRT.

Any unconditional agreement (whether written or verbal) to sell Ordinary Shares will normally give rise to a liability on the purchaser to SDRT, at the rate of 0.5 per cent. of the actual consideration paid (or, in certain circumstances, the market value of the Ordinary Shares). If an instrument of transfer (usually a stock transfer form) is subsequently produced it will generally be subject to stamp duty at the rate of 0.5 per cent. of the actual consideration paid (or, in certain circumstances, the market value of the Ordinary Shares) (rounded up to the nearest £5 if necessary). However, an exemption from stamp duty is available where the amount or value of the consideration is £1,000 or less, and it is certificated on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate amount or value of the consideration exceeds £1,000. When stamp duty is duly paid on the instrument, or it is certified as exempt, the SDRT charge will be cancelled and any SDRT already paid should be refunded. Stamp duty and SDRT are generally the liability of the purchaser.

Where Ordinary Shares are held in uncertificated form within CREST, a transfer of shares through CREST will generally be subject to SDRT (rather than stamp duty) at the rate of 0.5 per cent. of the value of the consideration given (or, in certain circumstances, the market value of the Ordinary Shares). CREST is obliged to collect SDRT on relevant transactions settled within the system. Deposits of Ordinary Shares into CREST will generally not be subject to SDRT or stamp duty, unless the transfer into CREST is itself for consideration (in money or money's worth).

Where New Ordinary Shares are transferred to a company or a company's nominee, and the person transferring the New Ordinary Shares is connected with the company (or is a nominee of a person connected to the company), the transfer may, in some circumstances, be chargeable to stamp duty and/or SDRT (as applicable) based on the higher of the amount or value of the consideration (if any) for the transfer and the market value of the New Ordinary Shares.

**(d) Taxation of dividends**

Under current UK tax law, the Company will not be required to withhold tax at source from dividend payments it makes. Liability to tax on dividends will depend upon the individual circumstances of the Shareholder.

A Shareholder resident outside the UK may be subject to non UK taxation on dividend income under local law. A Shareholder who is resident outside the UK for tax purposes should consult their own tax adviser concerning their tax position on dividends received from the Company.

### *Individual Qualifying Shareholders*

Dividends received by a UK resident individual Shareholder from the Company will generally be subject to tax as dividend income. Different rates of tax apply to different bands of a UK tax resident individual Shareholder's dividend income, which for these purposes includes UK and non UK source dividends and certain other distributions in respect of shares.

For the tax year 2021/22, the first £2,000 of dividend income received by an individual Shareholder in a tax year (the "**Nil Rate Amount**") is exempt from UK income tax, regardless of what tax rate would otherwise apply to that dividend income. If an individual Shareholder receives dividends in excess of the Nil Rate Amount in a tax year, the excess is taxed at the following dividend rates for the tax year 2021/22: 7.5 per cent. (for individuals not liable to tax at a rate above the basic rate), 32.5 per cent. (for individuals subject to the higher rate of income tax) and 38.1 per cent. (for individuals subject to the additional rate of income tax).

Dividend income that is within the dividend Nil Rate Amount counts towards an individual's basic or higher rate limits—and will therefore affect the level of savings allowance to which they are entitled, and the rate of tax that is due on any dividend income in excess of the Nil Rate Amount. In calculating into which tax band any dividend income over the Nil Rate Amount falls, savings and dividend income are treated as the highest part of an individual's income. Where an individual has both savings and dividend income, the dividend income is treated as the top slice.

### *Corporate Qualifying Shareholders*

UK resident Shareholders within the charge to corporation tax are subject to UK corporation tax on receipt of dividends unless such dividends can be treated as an exempt distribution. It is likely that most dividends paid on the New Ordinary Shares to UK resident Shareholders within the charge to corporation tax would fall within one or more of the classes of dividend qualifying for exemption from corporation tax. However, it should be noted that the exemptions are not comprehensive and are also subject to anti-avoidance rules. If a dividend paid on the Ordinary Shares to a UK resident Shareholder within the charge to corporation tax does not fall within one of the exempt classes (which is considered unlikely) or such a Shareholder elects for an otherwise exempt dividend to be taxable, the Shareholder will be subject to corporation tax on the gross amount of the dividend at a current rate of 19 per cent (but the main rate of corporation tax will be rising to 25 per cent. from 1 April 2023, pursuant to Finance Act 2021).

A corporate Shareholder that is not resident in the UK will not generally be subject to corporation tax on dividends received from the Company in the UK, unless such Shareholder carries on a trade in the UK through a permanent establishment and the shares are used by, for or held by or for, the permanent establishment. In these circumstances, the non UK resident corporate Shareholder may, depending on its individual circumstances and if the exemption discussed above is not available, be chargeable to corporation tax on dividends received from the Company.

Shareholders within the charge to UK corporation tax are advised to consult their independent professional tax advisers to determine whether dividends received will be subject to UK corporation tax.

**PART X**  
**ADDITIONAL INFORMATION**

**1. PERSONS RESPONSIBLE**

The Company and each of the Directors, whose names appear on page 32 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors, the information in this document is in accordance with the facts and this document makes no omission likely to affect its import.

**2. COMPANY DETAILS**

The Company was incorporated and registered in England and Wales under the Companies Act as a private limited company on 20 November 2013, with registered number 8783477 with the name De Facto 2075 Limited. On 17 February 2014, the Company was re-registered as a public company under the name McColl's Retail Group plc. The business of the Company, and its principal activity, is to act as the ultimate holding company of the Group.

The Company is domiciled in the UK. Its registered office is at Ground Floor West, One London Road, Brentwood, Essex, England, CM14 4QW. The registrars of the Company are Equiniti Limited. The ISIN of the Ordinary Shares is GB00BJ3VW957. The telephone number of the Company is +44 1277 372 916.

The principal legislation under which the Company operates and under which the Ordinary Shares have been and will be issued is the Companies Act. The Company operates in conformity with its constitution.

**3. SHARE CAPITAL**

On the Reference Date, the Company had 115,304,400 Existing Ordinary Shares in issue at a nominal value of £0.001 per share all of which were fully paid or credited as fully paid and held no shares in treasury.

**3.1 Information about the New Ordinary Shares: Description of type of securities**

**Description of securities**

The New Ordinary Shares will be fully paid ordinary shares with a nominal value of £0.001 each. On Admission, the New Ordinary Shares will be registered with an ISIN of GB00BJ3VW957 and a SEDOL of BJ3VW95. The New Ordinary Shares will be traded on the main market for listed securities of the London Stock Exchange under the ticker symbol "MCLS". It is expected that Admission of the New Ordinary Shares will become effective and that dealings on the London Stock Exchange in the New Ordinary Shares will commence at 8.00 a.m. on 6 September 2021.

The New Ordinary Shares will be issued under the Companies Act.

On Admission, up to 175,000,000 New Ordinary Shares will be issued. The New Ordinary Shares will be freely transferable and there will be no restrictions on the transfer of New Ordinary Shares in the United Kingdom. All New Ordinary Shares will, when issued and fully paid, rank pari passu in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions made, paid or declared after the date of issue of the New Ordinary Shares. The capital and assets of the Company on a winding-up or other return of capital shall be applied first in repaying to the holders of Ordinary Shares the amounts paid up or credited as paid up on such shares and subject thereto shall belong to and be distributed according to the number of such Ordinary Shares held by them respectively. However, they have no rights of redemption.

On a show of hands at general meetings of the Company, every Shareholder who is present in person and every person holding a valid proxy shall have one vote and on a poll every Shareholder present in person or by proxy shall have one vote per New Ordinary Share.

**Form and currency**

The New Ordinary Shares will be in registered form and will be capable of being held in certificated and uncertificated form. The Registrar of the Company is Equiniti. The New Ordinary Shares are, and on Admission will be, denominated in Pounds Sterling.

Title to the certificated New Ordinary Shares will be evidenced by entry in the register of members of the Company and title to uncertificated New Ordinary Shares will be evidenced by entry in the operator register



maintained by Equiniti (which will form part of the register of members of the Company).

No share certificates will be issued in respect of New Ordinary Shares in uncertificated form. No temporary documents of title have been or will be issued in respect of the New Ordinary Shares. It is currently anticipated that the New Ordinary Shares will be eligible to join CREST, the computerised, paperless system for settlement of sales and purchases of shares in the London securities market, with effect immediately upon Admission of the New Ordinary Shares and the commencement of dealings on the London Stock Exchange.

#### 4. DIRECTORS OF THE COMPANY

The Directors of the Company and their principal functions in respect of the Company are:

<u>Directors</u>	<u>Position</u>
Angus Porter . . . . .	<i>Chairman</i>
Jonathan Miller . . . . .	<i>Chief Executive Officer</i>
Giles David . . . . .	<i>Chief Financial Officer</i>
Richard Crampton . . . . .	<i>Chief Commercial Officer</i>
Georgina Harvey . . . . .	<i>Senior Independent Director</i>
Jens Hofma . . . . .	<i>Non-Executive Director</i>
Dominic Lavelle . . . . .	<i>Non-Executive Director</i>
Benedict Smith . . . . .	<i>Non-Executive Director</i>

The business address of each of the Directors is Ground Floor West, One London Road, Brentwood, Essex, England, CM14 4QW.

##### 4.1 Details of the Directors

The name, business experience and principal activities outside the Group of each of the Directors, as well as the dates of his or her initial appointment as a Director, as applicable, are set out below, together with a list of any current and/or previous directorships or analogous roles held in the five years prior to the date of this document by each of the Directors.

##### Directors

###### Angus Porter—*Chairman*

Angus was appointed Non-Executive Chairman on 27 April 2017, having formerly served as an Independent Non-Executive Director since 1 April 2016. Angus has extensive knowledge and experience in strategy, innovation, and brand development as well as significant leadership skills. Angus has held numerous executive and non-executive roles across a range of industry sectors, including senior marketing and general management roles at Mars, BT, Abbey National and WPP. Recently, he was Chief Executive of the Professional Cricketers' Association from 2010–2016, and Senior Independent Director and Chairman of the Remuneration Committee of Punch Taverns Plc. from 2012–2017.

Angus is a member of the Remuneration Committee and the Nomination Committee.

In addition to his directorship of the Company, Angus holds (or has, in the five year period immediately preceding the date of this document, held) the following directorships or has been a member of the following partnerships:

<u>Name of Company</u>	<u>Status (Current/Previous)</u>
Direct Wines Limited (Co-Chairman) . . . . .	<i>Current</i>
Hilton Food Group plc . . . . .	<i>Current</i>
TDC A/S (Non-Executive Director) . . . . .	<i>Previous</i>
Punch Taverns Limited . . . . .	<i>Previous</i>

###### Jonathan Miller—*Chief Executive Officer*

Jonathan was appointed as Chief Executive Officer with effect from 1 April 2016. Since Jonathan's appointment, he has had a major role in all of the key initiatives that have shaped the Group, including a secondary buyout in 2005, numerous corporate acquisitions and the IPO in 2014. As Chief Executive he has put in place a clear strategy and vision for the Group and led the major acquisition of 298 stores in

2016, the negotiation in 2017 of the Group's new wholesale arrangements with Morrisons and in 2018 steered the business through the significant disruption following the collapse of Palmer & Harvey.

Jonathan is a member of the Nomination Committee.

In addition to his directorship of the Company, Jonathan holds (or has, in the five year period immediately preceding the date of this document, held) the following directorships or has been a member of the following partnerships:

<u>Name of Company</u>	<u>Status (Current/Previous)</u>
Carters Farm Management . . . . .	Current

**Giles David**—*Chief Financial Officer*

Giles joined the Group and the Board on 1st June 2020. Giles was previously CFO at Casual Dining Group, a position he was appointed to in 2017. Giles has over two decades of experience in senior finance roles across retail, hospitality, property and telecoms, and is a Fellow of the Chartered Institute of Management Accountants.

In addition to his directorship of the Company, Giles holds (or has, in the five year period immediately preceding the date of this document, held) the following directorships or has been a member of the following partnerships:

<u>Name of Company</u>	<u>Status (Current/Previous)</u>
Rialton Stratton Limited . . . . .	Current
Casual Dining Group Limited . . . . .	Previous
YOA Holdco Limited . . . . .	Previous
Gearshift Advisors Limited . . . . .	Previous
Ortega Bars Limited . . . . .	Previous
T.R.M. Tisch Limited . . . . .	Previous
S&B Acquisition Limited . . . . .	Previous
Casual Dining Services Limited . . . . .	Previous
Lasig Realisations 1 Limited . . . . .	Previous
MARL 123 Limited . . . . .	Previous
Bella Realisations 1 Limited . . . . .	Previous
CRIL 123 Limited . . . . .	Previous
La Tasca Group Limited . . . . .	Previous
BII123 Limited . . . . .	Previous
Espresso Limited . . . . .	Previous
Pinco Limited . . . . .	Previous
San Gregorio UK Limited . . . . .	Previous
Bella Realisations 2 Limited . . . . .	Previous
CRR Realisations Limited . . . . .	Previous
Red Restaurants Limited . . . . .	Previous
Ortega Restaurants Limited . . . . .	Previous
Cafe Rouge Limited . . . . .	Previous
Abbaye Restaurants Limited . . . . .	Previous
Dining (Cayman) Holdco 1 Limited . . . . .	Previous
Oriel Restaurants Limited . . . . .	Previous
BPL123 Limited . . . . .	Previous
Casual Dining Restaurants Group Limited . . . . .	Previous
Cafe Pelican Limited . . . . .	Previous
BRPL123 Limited . . . . .	Previous
Lasig Realisations 2 Limited . . . . .	Previous
Espresso UK Limited . . . . .	Previous
HBAKL123 limited . . . . .	Previous
ST Realisations Limited . . . . .	Previous
Decade Europe Limited . . . . .	Previous
MAPIL Topco Limited . . . . .	Previous
Ruption Limited . . . . .	Previous
Hotlines Europe Ltd . . . . .	Previous

<u>Name of Company</u>	<u>Status (Current/Previous)</u>
Wiggle Limited . . . . .	<i>Previous</i>
ENSCO 503 Limited . . . . .	<i>Previous</i>
Chain Reaction Cycles Ltd . . . . .	<i>Previous</i>
The Car Finance Company (2007) Ltd . . . . .	<i>Previous</i>

**Richard Crampton**—*Chief Commercial Officer*

Richard joined as Chief Commercial Officer in September 2019 and was appointed to the Board on 1 June 2020. Richard has extensive experience in convenience and food retail. He was Managing Director of the Buying Group at the Co-op from 2015 to 2019, representing the eight largest Co-ops’ joint interests in grocery retail buying. Prior to this, Richard spent 7 years’ at Sainsbury’s where he undertook a number of commercial roles.

Richard Crampton has not been a member of the administrative, management or supervisory boards or partner, at any time in the previous five years, of any company or partnership other than group companies of the Company.

**Georgina Harvey**—*Senior Independent Director*

Georgina was appointed as an Independent Non-Executive Director on 7 February 2014 and is Chair of the Company’s Remuneration Committee. On 24 May 2016 Georgina was appointed as the Company’s Senior Independent Director. Georgina has significant experience across highly competitive consumer-facing markets and delivering successful transformational change. Georgina started her media career at Express Newspapers plc where she was appointed Advertising Director in 1994. She joined IPC Media Limited in 1995 and went on to form IPC Advertising in 1998, where she was Managing Director. Between 2005 and 2012, Georgina was Managing Director, regionals division and a member of the Executive Committee of Trinity Mirror.

Georgina is a member of the Audit & Risk Committee, the Nomination Committee and is Chair of the Remuneration Committee.

In addition to her directorship of the Company, Georgina holds (or has, in the five year period immediately preceding the date of this document, held) the following directorships or has been a member of the following partnerships:

<u>Name of Company</u>	<u>Status (Current/Previous)</u>
Superdry plc . . . . .	<i>Current</i>
Capita plc . . . . .	<i>Current</i>
William Hill plc (Independent Non-Executive Director) . . . . .	<i>Previous</i>
Big Yellow Group plc (Non-Executive Director) . . . . .	<i>Previous</i>

**Jens Hofma**—*Non-Executive Director*

Jens was appointed as an Independent Non-Executive Director on 1 July 2017. Jens has particular expertise in consumer goods as well as the restaurant and food-to-go industry. He also possesses in-depth experience of growing multi-site businesses. Jens is Chief Executive Officer of Pizza Hut Restaurants in the UK. He joined the Pizza Hut business in February 2009 and has since led a private equity funded buyout of its dine-in restaurants. Prior to his involvement with Pizza Hut, Jens spent five years with Yum! Brands, working in the UK and in Europe. He has also previously worked for Nestlé and McKinsey in various European countries.

Jens is a member of the Audit & Risk Committee, the Nomination Committee and the Remuneration Committee.

In addition to his directorship of the Company, Jens holds (or has, in the five year period immediately preceding the date of this document, held) the following directorships or has been a member of the following partnerships:

<u>Name of Company</u>	<u>Status (Current/Previous)</u>
Pizza Hut (UK) Limited (Chief Executive Officer) . . . . .	<i>Current</i>
PHH 2 Limited (9 November 2012) . . . . .	<i>Current</i>
PHH 1 Limited (9 November 2012) . . . . .	<i>Current</i>
PHR (Northern Europe) Limited (5 December 2016) . . . . .	<i>Current</i>
HWS 2 Limited (30 May 2017) . . . . .	<i>Current</i>
HWS 3 Limited (30 May 2017) . . . . .	<i>Current</i>
HWS 4 Limited (30 May 2017) . . . . .	<i>Current</i>
HWS 1 Limited . . . . .	<i>Previous</i>

**Dominic Lavelle**—*Non-Executive Director*

Dominic was appointed Non-Executive Director of the Group with effect from 18 May 2020. Dominic was Chief Financial Officer of SDL plc from 2013 to 2018. Prior to this, he served in a number of financial roles including Group Finance Director at Alders plc from 2000–2003 and Group Finance Director at Alfred McAlpine plc from 2003–2007. Dominic has worked as a director in the retail, building, construction, support services, property and technology sectors and has gained broad commercial and strategic experience.

Dominic is chair of the of the Audit and Risk Committee (with effect from 1 July 2020) and is a member of the Remuneration Committee and Nomination Committee.

In addition to his directorship of the Company, Dominic holds (or has, in the five year period immediately preceding the date of this document, held) the following directorships or has been a member of the following partnerships:

<u>Name of Company</u>	<u>Status (Current/Previous)</u>
FIH Group plc (Non-Executive Director and Chair of the Audit Committee) . . . . .	<i>Current</i>
Steenbok Newco 10 SARL . . . . .	<i>Current</i>
Fulcrum Utility Services Limited . . . . .	<i>Current</i>
SDL Limited . . . . .	<i>Previous</i>
Alterian Technology Limited . . . . .	<i>Previous</i>

**Benedict Smith**—*Non-Executive Director*

Benedict was appointed to the Board as Non-Executive Director with effect from 1st July 2020. Benedict was recently Interim Group CFO of Superdry PLC and before that of Dennis Publishing Group and has a wealth of experience in retail, having previously held Group CFO positions at Hunter Boot, GAME Digital, Harrods and Spirit Group.

Benedict is a member of the of the Audit and Risk Committee, the Remuneration Committee and Nomination Committee.

In addition to his directorship of the Company, Benedict holds (or has, in the five year period immediately preceding the date of this document, held) the following directorships or has been a member of the following partnerships:

<u>Name of Company</u>	<u>Status (Current/Previous)</u>
Blacksmith Consulting Limited . . . . .	<i>Current</i>
The Stationery Office Limited . . . . .	<i>Previous</i>
Tag response Limited . . . . .	<i>Previous</i>
Williams Lea Group Limited . . . . .	<i>Previous</i>
Goodsandservices.TV.Limited . . . . .	<i>Previous</i>
Wertheimer UK Limited . . . . .	<i>Previous</i>
Tag Storage Limited . . . . .	<i>Previous</i>
Smoke and Mirrors Productions Limited . . . . .	<i>Previous</i>
Tag Worldwide Group Limited . . . . .	<i>Previous</i>

## 4.2 Interests in the share capital of the Company of the Directors

Save as disclosed in this paragraph 4.2, none of the Directors has any interest, beneficial or non-beneficial, in the share capital of the Company or any of its subsidiaries.

The interests of the Directors in the issued share capital of the Company, including the interests of persons connected with the Directors for the purposes of DTR 5.1.2 of the Disclosure Guidance and Transparency Rules, as notified to the Company pursuant to DTR 5.1.2, as at the Reference Date are:

<u>Director</u>	<u>Number of Existing Ordinary Shares held</u>	<u>Percentage of issued share capital</u>
Jonathan Miller . . . . .	11,683,068	10.13
Angus Porter . . . . .	80,814	0.07
Giles David . . . . .	125,000	0.11
Richard Crampton . . . . .	—	—
Georgina Harvey . . . . .	10,471	0.01
Jens Hofma . . . . .	91,000	0.08
Dominic Lavelle . . . . .	100,000	0.09
Benedict Smith . . . . .	—	—

## 4.3 Executive Director service agreements

Jonathan Miller is not entitled to benefits on termination of his employment other than in relation to any payment in lieu of notice. Jonathan Miller's appointment can be terminated with immediate effect and without payment in the event of gross misconduct.

## 5. CONFLICTS OF INTEREST

Save for being persons legally and beneficially interested in Ordinary Shares, there are:

- (a) no actual or potential conflicts of interest between the duties owed by the Directors to the Company and their private interests and/or other duties that they may also have (other than as described below); and
- (b) no arrangements or understandings with major Shareholders, customers, suppliers or others, pursuant to which any Director was selected.

No Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or is or was significant to the business of the Group and which was effected by any member of the Group during the current or immediately preceding financial year or during any earlier financial year and remains in any respect outstanding or unperformed.

## 6. MAJOR SHAREHOLDERS

As at the Reference Date, except as disclosed in the table below, in so far as is known to the Company, the name of each person who, directly or indirectly, is interested in voting rights representing 3 per cent. or more of the total voting rights in respect of the Company's issued ordinary share capital, and the amount of such person's holding, is as follows:

<u>Name</u>	<u>Number of Ordinary Shares prior to the Capital Raising<sup>(1)</sup></u>	<u>Percentage of issued share capital prior to the Capital Raising<sup>(1)</sup></u>	<u>Number of Ordinary Shares following the Capital Raising<sup>(2)</sup></u>	<u>Percentage of issued share capital following the Capital Raising<sup>(2)</sup></u>
Aberforth . . . . .	13,767,015	11.94	38,767,015	13.35
Jonathan Miller . . . . .	11,683,068	10.13	26,683,068	9.19
Klarus Capital . . . . .	11,399,500	9.89	11,399,500	3.93
Fidelity International . . . . .	11,072,693	9.60	25,477,207	8.8
Stonehage Fleming . . . . .	6,551,970	5.68	9,051,970	3.1
Hargreaves Lansdown, stockbrokers (EO) . . . . .	6,273,783	5.44	6,273,783	2.2
BGF Investment Management . . . . .	5,880,000	5.10	20,880,000	7.2
Chelverton Asset Management . . . . .	5,700,000	4.94	7,500,000	2.6
Interactive Investor (EO) . . . . .	4,201,757	3.64	4,201,757	1.4
Wells Fargo Securities . . . . .	3,902,697	3.38	3,902,697	1.3
Laxey Partners . . . . .	4,253,162	3.69	13,646,759	4.7
Ms Anita Zucker . . . . .	3,750,000	3.25	3,750,000	1.3

### Notes:

- (1) Includes both direct and indirect shareholdings.

- (2) Assuming (a) full take up by all persons of their entitlements under the Open Offer, (b) 150,000,000 New Ordinary Shares being subscribed for pursuant to the Firm Placing, (c) that there has been no dealings in Ordinary Shares from the date of publication of this prospectus to the date of completion of the Capital Raising and (d) on the assumption that no further Ordinary Shares are issued from the date of this document until the date of Admission.

None of the major Shareholders referred to above have different voting rights from other Shareholders.

As at the Reference Date, the Company is not aware of any person who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

As at the Reference Date, the Company is not aware of any arrangements pursuant to which any person directly or indirectly, jointly or severally, will exercise or could exercise control over the Company.

## 7. DIRECTOR CONFIRMATIONS

As at the date of this document, no Director has during the last five (5) years:

- a. had any convictions in relation to fraudulent offences;
- b. save for as detailed below or otherwise disclosed, has been associated with any bankruptcy, receivership, liquidation or companies put into administration while acting in the capacity of a member of the administrative, management or supervisory body or of a senior manager of any company;
- c. has been subject to any official public incrimination and/or sanctions by any statutory or regulatory authority (including any designated professional body); or
- d. has been disqualified by a court from acting as a member of the administrative, management or supervisory body of a company or from acting in the management or conduct of the affairs of any company.

No Director was selected to act in such capacity pursuant to any arrangement or understanding with any Shareholder, consumer, supplier or any other person having a business connection with the Group.

There are no family relationships between any of the Directors.

There are no outstanding loans or guarantees granted or provided by any member of the Group for the benefit of any of the Directors.

## 8. IRREVOCABLE UNDERTAKINGS

### 8.1 Director irrevocable undertakings

The Company has received irrevocable undertakings from Jonathan Miller, Angus Porter, Giles David, Richard Crampton, Georgina Harvey, Jens Hofma, Dominic Lavelle and Benedict Smith to vote in favour of the Resolutions at the General Meeting in respect of their own beneficial holdings amounting to 12,090,353 Existing Ordinary Shares representing approximately 10.49 per cent. of the existing share capital of the Company in each case at the Offer Price, as follows:

<u>Name</u>	<u>Total number of Existing Ordinary Shares in the capital of the Company</u>	<u>Percentage of the existing issued share capital of the company (%)</u>
Jonathan Miller . . . . .	11,683,068	10.13
Angus Porter . . . . .	80,814	0.07
Giles David . . . . .	125,000	0.11
Richard Crampton . . . . .	—	—
Georgina Harvey . . . . .	10,471	0.01
Jens Hofma . . . . .	91,000	0.08
Dominic Lavelle . . . . .	100,000	0.09
Benedict Smith . . . . .	—	—

Each Director's irrevocable undertaking includes undertakings (other than Richard Crampton and Benedict Smith who are not Shareholders) made in their capacity as Shareholders to: (a) vote their existing shares in favour of the Resolutions (other than Jonathan Miller in respect of the Fourth Resolution to approve his related party transaction) to the extent such Director is also a Shareholder, (b) subscribe for such Shareholder's committed amount of Firm Placing Shares and (c) not take up any of their entitlement under the Open Offer to subscribe for New Ordinary Shares.

## 9. RELATED PARTY TRANSACTIONS

For the period from and including 30 November 2020 until the Reference Date, the Company has not entered into any Related Party Transactions with any related party other than the participation of Jonathan Miller in the Firm Placing pursuant to paragraph 11.1.7 of the Listing Rules and the participation of each other Director in the Firm Placing pursuant to paragraph 11.1.10 of the Listing Rules and Aberforth pursuant to paragraph 11.1.7 of the Listing Rules.

## 10. MATERIAL CONTRACTS

The following is a summary of each material contract (not being entered into in the ordinary course of business) which has been entered into by any member of the Group within the two years immediately preceding the date of this document:

### 10.1 Placing and Sponsor Agreement

On 12 August 2021 the Company and the Joint Bookrunners entered into the Placing and Sponsor Agreement, pursuant to which: (i) Panmure Gordon was appointed to act as sponsor to the Company in connection with the applications for Admission and the Capital Raising; and (ii) the Joint Bookrunners were appointed as placing agents to the Company in respect of the Firm Placing.

Subject to and pursuant to the terms and conditions of the Placing and Sponsor Agreement, the Joint Bookrunners have severally agreed to use reasonable endeavours to procure Places under the Firm Placing. In addition, the Joint Bookrunners have agreed to underwrite the settlement risk in the event that any places fail to take up their allocation of the New Ordinary Shares under the Firm Placing. In consideration of their services under the Placing and Sponsor Agreement, the Company has agreed to pay: (i) to the Sponsor a fee for acting as sponsor to the Company; and (ii) to the Joint Bookrunners a commission in respect of the Ordinary Shares issued pursuant to the Capital Raising.

Each Joint Bookrunner is also entitled to be reimbursed by the Company for all reasonable out of pocket expenses which each Joint Bookrunner may properly incur in connection with the Placing and Sponsor Agreement and the Capital Raising, whether on each Joint Bookrunner's own account or on the Company's behalf.

The Company has given certain customary undertakings, representations and warranties to the Joint Bookrunners and the Company has also given customary indemnities to the Joint Bookrunners and certain indemnified persons connected with them.

The Joint Bookrunners may terminate the Placing and Sponsor Agreement in certain circumstances including, among others, if there is a breach of the warranties in the Placing and Sponsor Agreement (or if any warranty would be untrue, inaccurate or misleading if repeated at any time prior to Admission), if any statement in this document has become untrue, inaccurate or misleading in any material respect, or if there has been a material adverse change affecting the Company.

### 10.2 Facilities Agreement

The Company is party to a £167,500,000 senior term and revolving credit facilities agreement originally dated 10 February 2014 as amended and restated on 17 August 2015 and 13 July 2016, as further amended on 6 February 2017, 23 May 2017 and 28 February 2018, as further amended and restated on 20 November 2018, as further amended on 17 February 2020, as further amended and restated on 27 February 2020, as further amended on 12 March 2020, 21 April 2020, 15 July 2020, 16 September 2020, 16 October 2020 and 12 November 2020 as further amended and restated on 2 February 2021 and as most recently amended on 19 July 2021 (the "**Facilities Agreement**").

The parties to the Facilities Agreement are (i) the Company as company and original guarantor; (ii) ThistleDove Limited, Martin McColl's Limited and Martin Retail Group Limited as original borrowers (the "**Borrowers**"); (iii) the Company and certain of its subsidiaries as original guarantors (the "**Guarantors**") and together with the Borrowers, the "**Obligors**"; (iv) Barclays Bank PLC as coordinator; (v) Barclays Bank PLC as agent (the "**Agent**"); (vi) Barclays Bank PLC and National Westminster Bank Plc as bookrunners; (vii) Santander UK PLC, AIB Group (UK) p.l.c., Barclays Bank PLC, National Westminster Bank plc, HSBC UK Bank plc and The Governor and Company of the Bank of Ireland as mandated lead arrangers and original lenders; and (viii) U.S. Bank Trustees Limited as security agent (the "**Security Agent**").

The key terms of the Facilities Agreement are as follows:

(i) *Facilities*

The facilities consist of:

- (a) the £67,500,000 Term Facility; and
- (b) the £100,000,000 Revolving Facility,

being, in aggregate, £167,500,000 of commitments.

An ancillary lender may make all or part of its Revolving Facility commitment available to any Borrower by way of an ancillary facility.

The termination date of the Term Facility and the Revolving Facility (including any ancillary facility, unless the expiry date of an ancillary facility is earlier) is 26 February 2024 (the “**Termination Date**”).

(ii) *Purpose*

The Term Facility was to be used by Martin McColl’s Limited to finance the purchase price of the portfolio of convenience stores acquired from the Co-op Group pursuant to a sale and purchase agreement dated 13 July 2016.

The Revolving Facility may be used towards the general corporate and working capital purposes of the Group, including towards acquisitions and capital expenditure, provided that the Revolving Facility is not applied towards repayment or prepayment of any loan under the Term Facility (a “**Term Loan**”) or any interest accrued thereon.

(iii) *Repayment*

The Term Loans must be repaid in instalments on each repayment date specified below, by the amount which reduces the aggregate outstanding Term Loans by the amount set out opposite that repayment date:

<u>Repayment Date</u>	<u>Repayment Instalment (£)</u>
28 February 2021 . . . . .	0
30 May 2021 . . . . .	0
29 August 2021 . . . . .	£2,500,000
28 November 2021 . . . . .	£2,500,000
27 February 2022 . . . . .	£2,500,000
29 May 2022 . . . . .	£2,500,000
28 August 2022 . . . . .	£2,500,000
27 November 2022 . . . . .	£2,500,000
26 February 2023 . . . . .	£3,750,000
28 May 2023 . . . . .	£3,750,000
27 August 2023 . . . . .	£3,750,000
26 November 2023 . . . . .	£3,750,000
Termination Date . . . . .	The remainder of the outstanding Term Loans

Loans under the Revolving Facility (“**Revolving Loans**”) are repayable on the last day of the interest period selected for the Revolving Loan and may be rolled over on a cashless basis.

Voluntary Prepayment

The Borrowers may prepay the whole or any part of the Loans outstanding (subject to a minimum amount of £2,000,000) with prior notice to the Agent.

Mandatory Prepayment

The Term Facility and the Revolving Facility are subject to change of control prepayment provisions, whereby if any person or group of persons acting in concert gain control, directly or indirectly, of the Company, the lenders will not be obliged to fund a utilisation and, if requested by a lender, the Agent



shall (on 15 days' notice to the Company) cancel the commitments of that lender and all amounts owed to that lender will become immediately repayable. “**Control**” for this purpose is defined as (a) the power to (i) cast more than 50 per cent. of the votes at a general meeting of the Company; or (ii) appoint or remove a majority of the directors of the Company; or (iii) give directions with respect to the operating and financial policies of the Company with which the directors are obliged to comply; or (b) the holding beneficially of more than 50 per cent. of the issued share capital of the Company.

If all or substantially all of the assets of the Group are sold, or if the Company is removed from trading on the London Stock Exchange, then the Term Facility and the Revolving Facility will be automatically cancelled and all outstanding Loans and other amounts due under the Facilities Agreement will become automatically due and payable.

The Company is required to apply the proceeds of any successful claim by it against a vendor in respect of any permitted acquisition, any insurance proceeds and certain disposal proceeds in mandatory prepayment of the Loans, subject to de minimis thresholds.

The Company is required to apply an amount equal to 50% of excess cashflow (over £1,000,000 and after debt service) for each financial year (commencing with the financial year ending 28 November 2021) in prepayment of the Loans. It has been agreed that the proceeds of the Capital Raising will not be caught by these provisions for prepayment of excess cashflow.

*(iv) Interest*

Term Loans and Revolving Loans bear interest at a rate equal to the aggregate of LIBOR (for Pounds Sterling Loans) or EURIBOR (for Euro Loans) and the margin, until such time as the “**Rate Switch Date**” occurs. The Rate Switch Date (being 30 September 2021 for Pounds Sterling Loans or, if earlier, the date on which certain market trigger events occur) is the date on which the floating rate portion of the interest will switch from a term rate (being LIBOR for Pounds Sterling Loans) to a compounded reference rate (being SONIA for Pounds Sterling Loans). There is currently no intention to replace EURIBOR with a compounded reference rate.

The margin on the Term Loans and the Revolving Loans is 4.25 per cent. per annum, subject to a margin ratchet that will apply from and including 26 February 2022 varying the rate between 4.75 per cent. and 1.00 per cent. per annum, depending on where the leverage ratio (in respect of the most recently completed period of 12 months ending on the last day of each of the Company's financial quarters and the last day of the Company's financial year) falls within the range set out in the Facilities Agreement.

*(v) Fees*

The Company is required to pay the Agent (for the account of each lender) a commitment fee at the rate of 35 per cent. per annum of the then applicable margin on the undrawn commitments under the Revolving Facility. The commitment fee is payable quarterly in arrears.

The Company is required to pay an agency fee to the Agent and a security agency fee to the Security Agent.

The rate and timing of payment of any interest, commission, fees and other remuneration in respect of any ancillary facility is as agreed between the relevant ancillary lender and the Borrower under that ancillary facility, based upon normal market rates and terms.

A deferred arrangement fee will accrue under the Facilities Agreement and is payable on the earlier of (i) the Termination Date (or earlier, if the Company elects to pay it earlier); (ii) the date on which the Term Facility and the Revolving Facility are refinanced in full; or (iii) the date on which the Agent accelerates the Facilities. The deferred arrangement is calculated as follows:

- (a) £1,675,000 (the “**Deferred Arrangement Fee**”) payable in all circumstances; and
- (b) an additional deferred arrangement fee (the “**Additional Deferred Arrangement Fee**”) which is calculated depending on the amount of voluntary prepayments the Company makes within a given period and will accrue until such time as the Company makes voluntary prepayments of £20,000,000 or more (including mandatory prepayments of excess cashflow but excluding any other mandatory prepayments).

(vi) *Guarantees, Security and Subordination*

Each Guarantor and each Borrower has given a guarantee in favour of the finance parties under the Facilities Agreement.

The transaction security has or will have first ranking priority and is not subject to any prior ranking or *pari passu* ranking security, except for other existing transaction security or as otherwise permitted under the Facilities Agreement.

The transaction security currently comprises: (1) a composite debenture entered into by each English Obligor and the Security Agent (governed by English law) including a first ranking share pledge over the shares in each English Obligor, legal mortgages over material property and a floating charge over all of the assets and undertakings of each English Obligor; (2) a first ranking share pledge over shares in the capital of each Scottish Obligor (governed by Scots law); and (3) a first ranking floating charge granted by each Scottish Obligor.

The intra-Group liabilities are subordinated to the liabilities owed by the Obligors to the finance parties under the Facilities Agreement.

(vii) *Representations and Covenants*

The Facilities Agreement contains customary representations and general undertakings including (but not limited to), in respect of the latter, compliance with laws, maintenance of requisite authorisations, limitations on disposal of assets, and imposition of customary restrictions on, amongst other things, mergers, acquisitions, loans out, incurrence of financial indebtedness, grant of security, change of business and use of any Loan in connection with any individual or entity subject to sanctions. The Company is also restricted from making dividends unless (i) adjusted leverage is 1.75:1 or less for two consecutive Relevant Periods (as defined below); and (ii) the Company has paid all fees payable to the finance parties in full, including any Deferred Arrangement Fee and any Additional Deferred Arrangement Fee.

(viii) *Financial Covenants*

The Facilities Agreement requires the Company to comply with the following financial covenants:

Adjusted leverage: The ratio of total net debt on the last day of the previous 12 month period (the “**Relevant Period**”) to EBITDA for that Relevant Period must not exceed the ratio set out below for that Relevant Period, provided that (i) if the Company achieves voluntary prepayments of £20,000,000 or more the applicable ratio for each Relevant Period below will decrease by 0.5:1; and (ii) if the Company achieves voluntary prepayments of £10,000,000 or more (but less than £20,000,000) the applicable ratio for each Relevant Period will decrease by 0.25:1.

<u>Relevant Period</u>	<u>Ratio</u>
Each Relevant Period on and from the Relevant Period ending 28 February 2021 to the Relevant Period expiring 28 May 2023 . . . . .	3:50:1
Relevant Period expiring 27 August 2023 . . . . .	3.25:1
Relevant Period expiring 26 November 2023 . . . . .	3.00:1
Each Relevant Period thereafter . . . . .	3.00:1

Fixed charge cover: The ratio of EBITDA to net rent-adjusted finance charges in respect of any Relevant Period must not be less than 1.50:1.

Minimum liquidity: For each forecast period (being the 13 week rolling forecast period covered by each cashflow forecast, which is delivered every 2 weeks) headroom cannot be less than zero as at the first day of that forecast period and for the duration of that forecast period.

Capital expenditure: The aggregate capital expenditure of the Group in respect of any financial year specified in column 1 below must not exceed the amount set out in column 2 below opposite that financial year (although if at least £20,000,000 is raised as a result of the Capital Raising by 30 September 2021, the amounts set out in column 2 below will be increased to the amounts as set out in column 3 below):

<u>Column 1</u> <u>Financial Year Ending</u>	<u>Column 2</u> <u>Maximum</u> <u>Expenditure (£)</u>	<u>Column 3</u> <u>Maximum Expenditure if</u> <u>£20,000,000 is raised by</u> <u>30 September 2021</u> <u>(£)</u>
November 2020 . . . . .	19,273,000	—
November 2021 . . . . .	20,386,000	22,886,000
November 2022 . . . . .	19,446,000	29,446,000
November 2023 . . . . .	20,000,000	—

*(ix) Events of Default*

The Facilities Agreement contains customary events of default including non-payment of amounts due under the finance documents, breach of representations and warranties, financial covenant default, cross-default, certain events of insolvency and material adverse change.

**10.3 Wholesale Supply Agreement**

On 31 July 2017, the Company entered into the Wholesale Supply Agreement which has since been amended and extended. The key terms of the Wholesale Supply Agreement are as follows:

*(i) Appointment and Exclusivity*

The Company has appointed Morrisons, for the term of the Wholesale Supply Agreement, as its exclusive supplier of goods for resale in the Company’s stores. The transition was subject to a rollout plan, with the majority of stores transitioning to Morrisons’ supply by the end of 2018. The transition of the remaining 298 stores which did not form of the initial rollout plan was completed in the first quarter of 2021.

*(ii) Term*

The Wholesale Supply Agreement commenced on 31 July 2017. The initial term of the Wholesale Supply Agreement was to expire on 1 January 2024, but the parties have since agreed to extend the term for a further three years until 1 January 2027.

*(iii) Termination*

The Wholesale Supply Agreement contains rights for either party to terminate if the other party commits a material breach of the agreement (subject to a remedy period if the breach is remediable) or becomes subject to one of various specified insolvency-related events. If the Wholesale Supply Agreement expires or is terminated for any reason, Morrisons will provide assistance to facilitate the Company’s transition to alternative supply arrangements.

*(iv) Service Levels*

Certain minimum service levels apply to Morrisons’ supply obligations under the Wholesale Supply Agreement.

*(v) Warranties*

The parties have given mutual warranties and representations as to their compliance with applicable laws and capacity to enter into the Wholesale Supply Agreement and to perform their respective obligations under it.

(vi) *Franchise*

Morrisons has granted the Company a franchise to operate the Company's convenience stores under the 'Morrisons Daily' brand. The Company undertook an initial trial with 31 stores and has now agreed to convert 300 convenience stores to Morrisons Daily by no later than 1 January 2024. The Group expects this arrangement will be subject to the terms of a separate franchise agreement.

#### **10.4 Variation to Wholesale Supply Agreement**

On 23 February 2021 the Company and Morrisons agreed a variation to the Wholesale Supply Agreement whereby the term of the Wholesale Supply Agreement was extended for a further three year period from 1 January 2024 to 1 January 2027. Under the terms of the agreement Morrisons will supply the entire McColl's's estate of over 1,200 stores with a best-in-class convenience range for a further three year period to January 2027, giving continuity of supply for the next six years. Pursuant to the terms of the agreement McColl's's will continue to have access to a supermarket-quality fresh food and grocery offer through the Safeway brand, where further range extensions are planned.

#### **11. WORKING CAPITAL**

In the opinion of the Company, taking into account the net proceeds of the Firm Placing (being £27.7 million (net of expenses)) the working capital available to the Company and the Group is sufficient for its present requirements (that is, for at least 12 months following the date of this document).

#### **12. SIGNIFICANT CHANGE**

There has been no significant change in the financial position or financial performance of the Group since 30 May 2021, being the date to which the Group's unaudited interim accounts for the twenty-six weeks ended 30 May 2021 were published.

#### **13. LEGAL AND ARBITRATION PROCEEDINGS**

Save for the below in relation to Livingstone, there are no governmental, legal or arbitration proceedings (including any such proceedings pending or threatened of which the Company is aware) during the period covering the twelve months preceding the date of this document, which may have, or have had in the recent past, significant effects on the financial position or profitability of the Company and/or the Group.

On 18 May 2021 the Group exercised its rights and terminated its FM Services Agreement with Livingstone Consultancy Limited ("**Livingstone**") for cause. The material breach concerned fundamental failures in the provision of services, incorrect and invalid invoicing and material overcharging. In order for the Group to orderly exit its relationship with Livingstone it tabled a settlement agreement on 16 June 2021 to finalise all matters between the parties and which included a proposed payment of £1.585 million to Livingstone to settle (a sum which the Group considers accurately reflects its outstanding liability for the cost of Livingstone's service provision and in relation to which a provision of £1.585 million is included in the unaudited interim accounts for the twenty six week period ended 30 May 2021).

On 18 June 2021 in a "letter before action" Livingstone, via its solicitors, rejected the Group's settlement proposal and alleged, without any proper justification, that (i) the Group had terminated the FM Services Agreement on unsubstantiated grounds and in breach of the termination provision therein, (ii) such termination was ineffective and (iii) further alleged they are due £2,342,355.36 (inclusive of VAT) for the provision of services plus "loss of bargain" damages in the sum of £2,304,825. The Group formally responded to Livingstone's solicitors on 26 June 2021 asking for the provision of data and documentation to substantiate the sums set out in the Livingstone letter of 18 June 2021. To date that requested data and documentation remains outstanding.

The Directors strongly refute the allegations made by Livingstone in its 18 June 2021 letter and believe that the allegations have been made without any proper justification and are unsubstantiated.

#### **14. REGULATORY DISCLOSURES**

The Company regularly arranges the publication of announcements through an RIS system and the Company's website. Below is a summary of the information disclosed in accordance with the Company's obligations under the UK Market Abuse Regulation over the last 12 months relevant as at the date of this document. In addition to the RIS system, full announcements can be accessed on the webpage of the Company at [www.mccollsplc.co.uk](http://www.mccollsplc.co.uk).

#### 14.1 *Inside information:*

14.1.1 On 1 March 2021 the Company announced that (i) Morrisons will supply the entire McColl's estate of over 1,200 stores with a convenience range for a further three years to January 2027, (ii) under a new agreement, 300 McColl's convenience stores (including 31 stores already in operation as Morrisons Daily) will be converted to Morrisons Daily stores and (iii) the existing banking arrangements (£100 million revolving credit facility and an amortising £67.0 million Term Facility (of which £61.7 million was available and fully committed as at the date of this document) have been amended to offer improved headroom against covenants, a realigned amortisation schedule and an extended maturity date to February 2024.

#### 14.1.2 Periodic financial information

Over the last 12 months, the Company released the following periodic financial information as inside information under the Market Abuse Regulation:

- (i) On 6 August 2020, the Company announced its interim (unaudited) results covering the 26-week period ended 24 May 2020.
- (ii) On 10 December 2020, the Company announced its full year trading update covering the 53-week period ended 29 November 2020.
- (iii) On 23 March 2021, the Company announced its full year results covering the 53-week period ended 29 November 2020.
- (iv) On 9 April 2021, the Company released its annual report and accounts for the year ended 29 November 2020.
- (v) On 12 August 2021, the Company announced its unaudited results for the 26 week period ended 30 May 2021.

#### 14.2 *Dealings by persons discharging managerial responsibilities and their persons closely associated*

Over the last 12 months, the Company disclosed the following PDMR dealings in accordance with its obligations under Article 19 of the Market Abuse Regulation:

- 14.2.1 On 7 August 2020, the Company announced that Giles David had purchased 125,000 Ordinary Shares.
- 14.2.2 On 10 September 2020, the Company announced that Jonathan Miller had acquired 33,568 Ordinary Shares from exercise of awards pursuant to the Company's Long Term Incentive Plan.
- 14.2.3 On 17 September 2020, the Company announced that Giles David had, pursuant to the Company's Long Term Incentive Plan, been awarded 600,000 Ordinary Shares.
- 14.2.4 On 14 April 2021, The Company announced that Dominic Lavelle had purchased 50,000 Ordinary Shares.

In addition, all of the Directors have irrevocably committed to participate in the Capital Raising via the Firm Placing as set out in the table below. Each Director has irrevocably committed to not take up any of their Open Offer Entitlements.

<u>Director</u>	<u>Number of Firm Placing Shares</u>	<u>Aggregate subscription amount (£)</u>
Jonathan Miller . . . . .	15,000,000	3,000,000
Angus Porter . . . . .	150,000	30,000
Giles David . . . . .	200,000	40,000
Georgina Harvey . . . . .	25,000	5,000
Jens Hofma . . . . .	150,000	30,000
Dominic Lavelle . . . . .	150,000	30,000
Benedict Smith . . . . .	150,000	30,000
Richard Crampton . . . . .	125,000	25,000

Jonathan Miller's subscription constitutes a related party transaction for the purposes of the Listing Rules as described in further detail in paragraph 7 (*Related Party Transactions*) above.

Together these amount to irrevocable commitments to subscribe for New Ordinary Shares, representing approximately 0.29 per cent. of the total voting rights in the Company as at 11 August 2021 (being the last Business Day prior to the date of this document).

### **14.3 Other RIS announcements**

- 14.3.1 On 14 December 2020, the Company announced that it has appointed the Joint Bookrunners to act as its joint corporate brokers.
- 14.3.2 On 21 May 2021, the Company announced the results of the voting at the Company's Annual General Meeting held on 20 May 2021.
- 14.3.3 On 12 August 2021, the Company announced its intention to launch the Capital Raising.
- 14.3.4 On 12 August 2021, the Company announced that it had successfully completed the bookbuild and Firm Placing raising total gross proceeds of £30,000,000.

## **15. CONSENTS**

Each of the Joint Bookrunners has given and has not withdrawn their consent to the inclusion in this document of their name and the references to them in the form and context in which they are included.

BDO LLP has given and has not withdrawn its written consent to the inclusion in this document of its report in Section B of Part VII (*Unaudited Pro Forma Financial Information*) of this document and has authorised the contents of that part of this document for the purposes of paragraph 5.3.2R(2)(f) of the Prospectus Regulation Rules.

## **16. GENERAL**

The registrars of the Company and the receiving agents for the Capital Raising are Equiniti Limited.

BDO LLP is registered to carry out audit work in the UK and was the auditor of the Company in respect of FY 2020.

The total costs, charges and expenses of the Capital Raising payable by the Company are estimated to amount to approximately £2.3 million (excluding any amounts in respect of VAT thereon). The net proceeds of the Capital Raising are expected to amount to approximately £32.7 million (assuming that the Open Offer is taken up in full).

If a Qualifying Shareholder does not take up any of his Open Offer Entitlements, such Qualifying Shareholder's holding, as a percentage of the Enlarged Share Capital, will be diluted by approximately 60 per cent. pursuant to the Capital Raising (assuming that the Open Offer is taken up in full).

If a Qualifying Shareholder does take up all of his Open Offer Entitlements in full, such Qualifying Shareholder's holding, as a percentage of the Enlarged Share Capital, will be diluted by approximately 52 per cent. pursuant to the Capital Raising (assuming that the Open Offer is taken up in full).

Shareholders in the United States and the Excluded Territories will not be able to participate in the Open Offer. The New Ordinary Shares are not being marketed or made available to the public in whole or in part other than in connection with the Capital Raising.

Documents to be sent to Shareholders will be posted to their registered addresses and, in the case of joint holders, will be posted to the registered address of the first-named holder. In addition, appropriate public announcements and advertisements will be made in accordance with the Listing Rules.

## **17. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection on the Company's website at [www.mccollspc.co.uk](http://www.mccollspc.co.uk) for a period of twelve months from the date of publication of this document:

- (a) the Articles of Association;
- (b) the Group's audited statutory accounts for FY 2020;
- (c) the Group's unaudited interim accounts for the twenty six weeks ended 30 May 2021;
- (d) the report prepared by BDO LLP on the unaudited pro forma financial information as set out in Section B of Part VII of this prospectus; and

(e) the written consents referred to in paragraph 15 above.

Subject to any UK Government public health restrictions in respect of COVID-19, for the purposes of Rule 3.2 of the Prospectus Regulation Rules this document will also be published and available free of charge, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of 28 days from the date of publication of this document at the head offices of the Company at Ground Floor West, One London Road, Brentwood, Essex, CM14 4QW, and at the offices of Travers Smith LLP at 10 Snow Hill, London, EC1A 2AL, for a period of 28 days from the publication of this document.

Due to the spread of COVID-19 in the UK, it is recommended that any Shareholder wishing to review the above documents access them via the Company's website as, due to restrictions imposed by the UK Government, you may be refused physical entry to the locations mentioned above.

## PART XI

### DOCUMENTS INCORPORATED BY REFERENCE

This prospectus should be read and construed in conjunction with the following documents which have been previously published and filed with the FCA and which shall be deemed to be incorporated in, and form part of, this prospectus. Only certain parts of the documents set out in the table below are incorporated into, and form part of, this prospectus. Where certain parts only of a document have been incorporated by reference into this prospectus the other parts of those documents which have not been expressly stated to be incorporated are either not relevant to investors or are covered elsewhere in this prospectus.

To the extent that any document or information incorporated by reference or attached to this prospectus itself incorporates any information by reference, either expressly or impliedly, such information will not form part of this prospectus for the purposes of the Prospectus Regulation Rules except where such information or documents are stated within this prospectus as specifically being incorporated by reference or where this prospectus is specifically defined as including such information.

#### *Unaudited interim results for the twenty six weeks ended 30 May 2021*

The page numbers below refer to the relevant pages of the interim results for the six months ended 30 May 2021:

<u>Information incorporated by reference</u>	<u>Page numbers in such document</u>
Consolidated income statement . . . . .	11
Consolidated statement of comprehensive income . . . . .	11
Consolidated statement of financial position . . . . .	13
Consolidated statement of changes in equity . . . . .	14
Consolidated cash flow statement . . . . .	15
Notes to the condensed consolidated financial statements . . . . .	17
Independent review report . . . . .	35

The unaudited interim results for the twenty six weeks ended 30 May 2021 can be accessed at <https://www.mccollsplc.co.uk/investors/results-and-presentations/>

#### *Financial statements for FY 2020, together with the independent audit report thereon*

The page numbers below refer to the relevant pages of the Annual Report and Accounts for FY 2020:

<u>Information incorporated by reference</u>	<u>Page numbers in such document</u>
Audited remuneration information . . . . .	76 to 81
Independent auditor's report . . . . .	90 to 96
Consolidated income statement . . . . .	97
Consolidated statement of comprehensive income . . . . .	97
Consolidated balance sheet . . . . .	98
Consolidated statement of changes in equity . . . . .	99
Consolidated cash flow statement . . . . .	100
Notes to the consolidated financial statements . . . . .	101 to 129

The financial statements for FY 2020, together with the independent audit report thereon can be accessed at: <https://www.mccollsplc.co.uk/investors/results-and-presentations/>

Information that is itself incorporated by reference in the above documents is not incorporated by reference into this document. It should be noted that, except as set out in the cross-reference list in Part VI (*Historical Financial Information*) of this document, no other portion of the above documents are incorporated by reference into this document and those portions which are not specifically incorporated by reference in this document are either not relevant for prospective investors or the relevant information is included elsewhere in this document.

Any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this document to the extent that a statement contained herein (or in a later document which is incorporated by reference herein) modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded for the



purpose of this document shall not be deemed, except as so modified or superseded, to constitute a part of this document.

Copies of the documents which are incorporated by reference in this document are available as provided in paragraph 17 in Part X (*Additional Information*) of this document.

Shareholders and any other person to whom this document is sent may request hard copies of the information incorporated by reference from McColl's at Ground Floor West, One London Road, Brentwood, Essex, England, CM14 4QW or by telephoning McColl's on +44 01277 372916. Hard copies of the documents incorporated by reference will not be sent unless requested.

## APPENDIX I—DEFINITIONS

The definitions set out below apply throughout this document, unless the context requires otherwise.

“ <b>Aberforth</b> ” . . . . .	Aberforth Partners LLP, in its capacity as discretionary fund manager on behalf of its clients;
“ <b>Admission</b> ” . . . . .	admission of the New Ordinary Shares issued in connection with the Capital Raising to the premium listing segment of the Official List and to trading on the main market for listed securities of the London Stock Exchange;
“ <b>Agent</b> ” . . . . .	Barclays Bank PLC as agent of the Finance Parties under and as defined in the Facilities Agreement;
“ <b>Amended Credit Facility</b> ”	the Term Facility and the Revolving Facility;
“ <b>Annual Report and Accounts</b> ” . . . . .	in relation to a financial year means the annual report and accounts of the Company for that year;
“ <b>Application Form</b> ” . . . . .	the personalised application form on which Qualifying Non-CREST Shareholders may apply for Open Offer Shares under the Open Offer;
“ <b>Articles of Association</b> ” or “ <b>Articles</b> ” . . . . .	the articles of association of the Company, as amended from time to time;
“ <b>Board</b> ” . . . . .	the board of directors of the Company from time to time;
“ <b>Borrower</b> ” . . . . .	a borrower under the Facilities Agreement, being Thistledove Limited, Martin McColl’s Limited and Martin Retail Group Limited as at the date of this document;
“ <b>Business Day</b> ” . . . . .	any day on which banks are generally open in London for the transaction of business other than a Saturday or Sunday or public holiday;
“ <b>Camelot</b> ” . . . . .	Camelot UK Lotteries Limited;
“ <b>Capital Raising</b> ” . . . . .	the Firm Placing and Open Offer;
“ <b>certificated</b> ” or “ <b>in certificated form</b> ” . . . . .	a share or other security which is not in uncertificated form (that is, not in CREST);
“ <b>City Code on Takeovers and Mergers</b> ” . . . . .	the UK City Code on Takeovers and Mergers;
“ <b>Closing Price</b> ” . . . . .	the closing, middle market quotation in Pounds Sterling of an Existing Ordinary Share, as published in the Daily Official List;
“ <b>CMA</b> ” . . . . .	the Competition and Markets Authority;
“ <b>Companies Act</b> ” or the “ <b>Act</b> ” . . . . .	the Companies Act 2006, as amended, modified or re-enacted from time to time;
“ <b>Co-op Group</b> ” . . . . .	the Co-operative Group Limited;
“ <b>COVID-19</b> ” . . . . .	the new strain of coronavirus, SARS-CoV-2, COVID-19, identified as the cause of the COVID-19 disease;
“ <b>CREST</b> ” . . . . .	the paperless settlement procedure operated by Euroclear enabling system securities to be evidenced otherwise than by written instrument;
“ <b>CREST Deposit Form</b> ” . . . . .	the CREST deposit form set out on page 4 of the Application Form;
“ <b>CREST Manual</b> ” . . . . .	the rules governing the operation of CREST as published by Euroclear;
“ <b>CREST member</b> ” . . . . .	a person who has been admitted by Euroclear as a system-member (as defined in the CREST Regulations);

“ <b>CREST participant</b> ” . . . .	a person who is, in relation to CREST, a system participant (as defined in the CREST Regulations);
“ <b>CREST Proxy Instruction</b> ” . . . . .	the message used for a proxy appointment made by means of CREST;
“ <b>CREST Regulations</b> ” . . . .	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended from time to time;
“ <b>CREST sponsor</b> ” . . . . .	a CREST participant admitted to CREST as a CREST sponsor;
“ <b>CREST sponsored member</b> ” . . . . .	a CREST member admitted to CREST as a sponsored member;
“ <b>Daily Official List</b> ” . . . .	the daily official list of the London Stock Exchange;
“ <b>Directors</b> ” . . . . .	the directors of the Company at the date of this document and “ <b>Director</b> ” means any one of them;
“ <b>Disclosure Guidance and Transparency Rules</b> ” or “ <b>DTRs</b> ” . . . . .	the disclosure guidance and transparency rules made by the FCA under Part VI of FSMA (as set out in the FCA Handbook), as amended;
“ <b>EBITDA</b> ” . . . . .	earnings before taxation, net financing costs, depreciation and amortisation;
“ <b>EEA</b> ” . . . . .	the member states of the EU, Iceland, Norway and Liechtenstein;
“ <b>EEA State</b> ” . . . . .	any individual member state of the EEA;
“ <b>Enlarged Share Capital</b> ” . .	the expected issued ordinary share capital of the Company immediately following the issue of the New Ordinary Shares pursuant to the Capital Raising (and assuming that the Open Offer is taken up in full);
“ <b>EU</b> ” . . . . .	the European Union;
“ <b>EURIBOR</b> ” . . . . .	the Euro Inter-Bank Offer Rate
“ <b>Euroclear</b> ” . . . . .	Euroclear UK & Ireland Limited;
“ <b>EUWA</b> ” . . . . .	the European Union (Withdrawal) Act 2018;
“ <b>Excess Allocation Method</b> ” . . . . .	the Excess Allocation Method referred to in paragraph 1 of Part IV ( <i>Terms and Conditions of the Open Offer</i> );
“ <b>Excess Allocation Cap</b> ” . .	the Excess Allocation Cap referred to in paragraph 1 of Part IV ( <i>Terms and Conditions of the Open Offer</i> );
“ <b>Excess Application Facility</b> ” . . . . .	the facility for Qualifying Shareholders to apply for Excess Shares in excess of their Open Offer Entitlements;
“ <b>Excess CREST Open Offer Entitlement</b> ” . . . .	in respect of each Qualifying CREST Shareholder, an entitlement equal to 10 times their balance of Existing Ordinary Shares held at the Record Date has been credited (in addition to their Open Offer Entitlement) to apply for Open Offer Shares pursuant to the Excess Application Facility, which is conditional on them taking up their Open Offer Entitlement in full and which may be subject to scaling back in accordance with the provisions of this document;
“ <b>Excess Share Applicant</b> ” . .	each Qualifying Shareholder who has (i) taken up its Open Offer Entitlement in full and (ii) applied for Excess Shares under the Excess Application Facility
“ <b>Excess Shares</b> ” . . . . .	Open Offer Shares which may be applied for by Qualifying Shareholders in addition to their Open Offer Entitlements pursuant to the Excess Application Facility;
“ <b>Excluded Territories</b> ” . . . .	the United States, Australia, Canada, Japan, South Africa, New Zealand and any other jurisdiction where the extension or availability of the Capital Raising

(and any other transaction contemplated thereby) would (i) breach any applicable law or regulation (and “**Excluded Territory**” means any one of them);

“ <b>Executive Directors</b> ” . . . .	Jonathan Miller, Giles David and Richard Crampton (and “ <b>Executive Director</b> ” means any one of them);
“ <b>Ex-Entitlements Date</b> ” . . .	the date on which the Existing Ordinary Shares are marked ex-entitlement, being 8.00 a.m. on 13 August 2021;
“ <b>Existing Ordinary Shares</b> ”	the 115,304,400 ordinary shares of £0.001 each in the capital of the Company in issue immediately as at the date of this document;
“ <b>Facilities Agreement</b> ” . . . .	the £165,000,000 senior term and revolving credit facilities agreement between the Company and, among others, Barclays Bank PLC, National Westminster Bank Plc, Santander UK PLC, HSBC UK Bank plc, AIB Group (UK) p.l.c., The Governor and Company of the Bank of Ireland and U.S. Bank Trustees Limited, originally dated 10 February 2014 and as most recently amended on 19 July 2021;
“ <b>FCA</b> ” or “ <b>Financial Conduct Authority</b> ” . . . .	the Financial Conduct Authority of the United Kingdom or any successor body or bodies carrying out the functions currently carried out by the Financial Conduct Authority;
“ <b>FCA Handbook</b> ” . . . . .	the handbook of rules and guidance made by the FCA under FSMA;
“ <b>Firm Placee</b> ” . . . . .	any person who has agreed to subscribe for Firm Placing Shares pursuant to the Firm Placing;
“ <b>Firm Placing</b> ” . . . . .	the placing of 150,000,000 New Ordinary Shares with the Firm Placees;
“ <b>Firm Placing Shares</b> ” . . . .	the 150,000,000 New Ordinary Shares which are subject to the Firm Placing;
“ <b>First Resolution</b> ” . . . . .	the resolution relating to the allotment of the New Ordinary Shares to be proposed at the General Meeting;
“ <b>Form of Proxy</b> ” . . . . .	the form of proxy for use at the General Meeting which accompanies this document;
“ <b>Fourth Resolution</b> ” . . . . .	means the resolution for the approval of the related party transaction in respect of Jonathan Miller to be proposed at the General Meeting;
“ <b>Fifth Resolution</b> ” . . . . .	means the resolution for the approval of the related party transaction in respect of Aberforth to be proposed at the General Meeting;
“ <b>FSMA</b> ” . . . . .	the Financial Services and Markets Act 2000, as amended;
“ <b>FY 2018</b> ” . . . . .	the financial year ended 25 November 2018;
“ <b>FY 2019</b> ” . . . . .	the financial year ended 24 November 2019;
“ <b>FY 2020</b> ” . . . . .	the financial year ended 29 November 2020;
“ <b>GDPR</b> ” . . . . .	the General Data Protection Regulation (Regulation (EU) 2016/679), as domesticated into UK law by the EUWA;
“ <b>General Meeting</b> ” . . . . .	the general meeting of the Company to be convened pursuant to the notice set out in this document (including any adjournment thereof);
“ <b>Group</b> ” . . . . .	the Company together with its subsidiaries and subsidiary undertakings;
“ <b>Guarantor</b> ” . . . . .	each guarantor under the Facilities Agreement;
“ <b>HFFS</b> ” . . . . .	food items high in fat, sugar and salt;
“ <b>HMRC</b> ” . . . . .	HM Revenue & Customs;
“ <b>IFRS</b> ” . . . . .	International Financial Reporting Standards as adopted for use by the EU;
“ <b>Joint Bookrunners</b> ” . . . . .	Panmure Gordon and Singer Capital Markets;

“LIBOR”	the London Inter-Bank Offer Rate;
“Listing Rules”	the listing rules made under Part VI of FSMA (as set out in the FCA Handbook), as amended from time to time;
“Loan”	a Term Loan or a Revolving Loan;
“London Stock Exchange”	London Stock Exchange plc or its successor(s);
“McColl’s” or “the Company”	McColl’s Retail Group plc, a company incorporated in England and Wales with registered number 08783477, whose registered office is at Ground Floor West, One London Road, Brentwood, Essex, England, CM14 4QW;
“McColl’s Retail Group”	the Company together with its subsidiaries and subsidiary undertakings;
“Money Laundering Regulations”	the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017;
“Morrisons”	Wm Morrison Supermarkets plc;
“New Ordinary Shares”	the Firm Placing Shares and the Open Offer Shares;
“NHS Test and Trace”	the UK National Health Service tracking service in respect of COVID-19 transmission;
“Nil Rate Amount”	has the meaning given to it in part (d) of Part IX ( <i>UK Taxation</i> );
“Non-Executive Directors”	Angus Porter, Georgina Harvey, Jens Hofma, Dominic Lavelle and Benedict Smith (and “Non-Executive Director” means any one of them);
“Notice”	the notice of the General Meeting contained in this document;
“Obligor”	a Borrower or a Guarantor;
“Offer Price”	20 pence per New Ordinary Share, being the price at which the New Ordinary Shares are to be issued pursuant to the Capital Raising;
“Official List”	the list maintained by the FCA in accordance with section 74(1) of FSMA for the purposes of Part VI of FSMA;
“Open Offer”	the conditional invitation to Qualifying Shareholders to subscribe for the Open Offer Shares at the Offer Price on the terms and subject to the conditions set out in this document and in the case of Qualifying Non-CREST Shareholders only, the Application Form;
“Open Offer Entitlements”	entitlements to subscribe for the Open Offer Shares, allocated to a Qualifying Shareholders pursuant to the Open Offer;
“Open Offer Shares”	the 25,000,000 new Ordinary Shares for which Qualifying Shareholders are being invited to apply to be issued pursuant to the terms of the Open Offer;
“Ordinary Shares”	ordinary shares of £0.001 each in the capital of the Company;
“Overseas Shareholders”	shareholders with registered addresses outside the United Kingdom or who are incorporated in, registered in or otherwise resident or located in, countries outside the United Kingdom;
“Panmure Gordon”	Panmure Gordon (UK) Limited, a company incorporated in England and Wales with registered number 02700769, whose registered office is at One New Change, London, EC4M 9AF;
“participant ID”	the identification code or membership number used in CREST to identify a particular CREST member or CREST participant;
“Placing and Sponsor Agreement”	the sponsor, firm placing and open offer agreement dated 12 August 2021 between the Company and the Joint Bookrunners described in paragraph 10.1 of Part X ( <i>Additional Information</i> ) of this document;

“£” or “Pounds Sterling”	the lawful currency of the United Kingdom;
“Prospectus” or “this document”	this document dated 13 August 2021, comprising a simplified prospectus relating to the Company for the purpose of the Capital Raising and the listing of the New Ordinary Shares on the London Stock Exchange (together with any supplements or amendments thereto);
“Prospectus Regulation Rules”	the prospectus rules made under Part VI of FSMA (as set out in the FCA Handbook), as amended;
“Qualifying CREST Shareholder”	Qualifying Shareholders holding Ordinary Shares in uncertificated form;
“Qualifying Non-CREST Shareholders”	Qualifying Shareholders holding Ordinary Shares in certificated form;
“Qualifying Shareholders”	holders of Existing Ordinary Shares on the register of members of the Company on the Record Date which are not Restricted Shareholders;
“Receiving Agent”, “Registrar” or “Equiniti”	Equiniti Limited;
“Record Date”	6.00 p.m. on 10 August 2021;
“Reference Date”	12 August, the latest practicable date prior to publication of this document;
“Regulation S”	Regulation S under the US Securities Act;
“Regulatory Information Service” or “RIS”	one of the regulatory information services authorised by the FCA to receive, process and disseminate regulatory information from listed companies;
“Related Party Transaction”	has the meaning ascribed to it in paragraph 9 of IAS 24, being the standard adopted according to Regulation (EC) No. 1606/2002;
“relevant member state”	each EEA State (except for the UK) which has implemented the Prospectus Regulation;
“Remuneration Committee”	the remuneration committee of the Board from time to time;
“Resolutions”	the First Resolution, the Second Resolution, the Third Resolution, the Fourth Resolution and the Fifth Resolution, to be proposed at the General Meeting (and as further described in paragraph 7 of Part I ( <i>Letter from the Chairman</i> ));
“Restricted Shareholder”	subject to certain exceptions, Shareholders who have registered addresses in, who are incorporated in, registered in or otherwise resident or located in, the United States or any other Excluded Territory;
“Revolving Facility”	the revolving facility made available under the Facilities Agreement;
“Revolving Loan”	a loan made or to be made under the Revolving Facility or the principal amount outstanding for the time being of that loan;
“SDRT”	stamp duty reserve tax;
“SEC”	United States Securities and Exchange Commission;
“Second Resolution”	the resolution relating to the disapplication of pre-emption rights in respect of the allotment of the New Ordinary Shares to be proposed at the General Meeting;
“Security Agent”	U.S. Bank Trustees Limited as security agent for and on behalf of the Secured Parties under and as defined in the Facilities Agreement;
“Share Plans”	the McColl’s Retail Group plc Long Term Incentive Plan and the McColl’s Retail Group plc Company Share Option Plan;

“ <b>Shareholder(s)</b> ” . . . . .	holder(s) of Ordinary Shares;
“ <b>Singer Capital Markets</b> ” . . . . .	Singer Capital Markets Securities Limited, a company incorporated in England and Wales with registered number 05792780, whose registered office is at 1 Bartholomew Lane, London, EC2N 2AX together with its affiliated entities;
“ <b>Sponsor</b> ” . . . . .	Panmure Gordon (UK) Limited;
“ <b>SONIA</b> ” . . . . .	the Sterling Overnight Index Average;
“ <b>stock account</b> ” . . . . .	an account within a member account in CREST to which a holding of a particular share or other security in CREST is credited;
“ <b>subsidiary</b> ” . . . . .	has the meaning given in section 1159 of the Companies Act;
“ <b>subsidiary undertaking</b> ” . . . . .	has the meaning given in section 1162 of the Companies Act;
“ <b>Target Market Assessment</b> ” . . . . .	has the meaning set out in the paragraph headed “ <i>Information to Distributors</i> ”;
“ <b>Term Facility</b> ” . . . . .	the term facility made available under the Facilities Agreement;
“ <b>Term Loan</b> ” . . . . .	a loan made or to be made under the Term Facility or the principal amount outstanding for the time being of that loan;
“ <b>Termination Date</b> ” . . . . .	the termination date of the Facilities, being 26 February 2024;
“ <b>Third Resolution</b> ” . . . . .	the resolution for the approval of the Offer Price to be proposed at the General Meeting;
“ <b>UK Product Governance Requirements</b> ” . . . . .	has the meaning set out in the paragraph headed “ <i>Information to Distributors</i> ”;
“ <b>UK Market Abuse Regulation</b> ” . . . . .	the EU Market Abuse Regulation as it forms part of UK domestic law by virtue of the EUWA;
“ <b>UK Prospectus Regulation</b> ” . . . . .	Regulation (EU) 2017/1129 (and amendments thereto), as it forms part of UK domestic law by virtue of the EUWA;
“ <b>United Kingdom</b> ” or “ <b>UK</b> ” . . . . .	the United Kingdom of Great Britain and Northern Ireland;
“ <b>United States</b> ” or “ <b>US</b> ” . . . . .	the United States of America, its territories and possessions, any state of the United States and the District of Columbia;
“ <b>US Securities Act</b> ” . . . . .	the United States Securities Act of 1933, as amended;
“ <b>VAT</b> ” . . . . .	value added tax; and
“ <b>Wholesale Supply Agreement</b> ” . . . . .	the wholesale supply agreement between the Company and Morrisons dated 31 July 2017 as varied by letter agreement on 25 May 2018, 14 November 2018, 22 November 2019, 17 February 2021, and 25 May 2021.

## NOTICE OF GENERAL MEETING

### McColl's Retail Group plc

*(Incorporated in England and Wales with registered number 08783477)*

Notice is hereby given that a General Meeting of McColl's Retail Group plc (the "**Company**") will be held at the Company's Head Office at Ground Floor West, One London Road, Brentwood, Essex, CM14 4QW on 1 September at 11.00 a.m. for the purpose of considering and, if thought fit, passing the First Resolution, the Third Resolution, the Fourth Resolution and the Fifth Resolution as ordinary resolutions and the Second Resolution as a special resolution of Shareholders. The Fourth Resolution is to be passed as an ordinary resolution of all Shareholders independent of Jonathan Miller and his associates. The Fifth Resolution is to be passed as an ordinary resolution of all Shareholders independent of Aberforth and its associates.

You are being asked to consider and pass the Resolutions. Each of the Resolutions is conditional on all of the other Resolutions being passed.

#### **1. Authority to allot**

That, in addition to all existing authorities in such regard, the Directors be and are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the "**Act**") to allot shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company up to a nominal amount of 175,000 in connection with the Firm Placing and Open Offer (as each is defined in the prospectus published by the Company on 13 August 2021) of which this Notice of General Meeting forms part. This authority shall expire on the date that is six months after the date of this General Meeting (unless and to the extent that such authority is renewed or extended by the Company in general meeting prior to such date) but so that the Company may before the expiry of such period make an offer or agreement which would, or might, require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after the authority ends and the Directors may allot shares or grant rights to subscribe for or convert securities into shares under any such offer or agreement as if the authority had not ended.

#### **2. Disapplication of pre-emption rights**

That in addition to all other existing powers of the Directors which shall continue in full force and effect, the Directors be and are hereby given power pursuant to section 570 of the Act to allot equity securities (as defined in the Act) for cash under the authority given by Resolution 1 above, as if section 561 of the Act did not apply to any such allotment. This power shall be limited to the allotment of equity securities pursuant to the Firm Placing and Open Offer up to an aggregate nominal value of 175,000. Subject to the continuance of the authority conferred by Resolution 1, this power shall expire on the date that is six months after the date of this General Meeting (unless and to the extent that such authority is renewed or extended by special resolution prior to such date) but so that the Company may before the expiry of such period make an offer or agreement, which would, or might, require equity securities to be allotted after the power ends and the Directors may allot equity securities under any such offer or agreement as if the power had not ended.

#### **3. Approval of Offer Price**

That the issue of up to 175,000,000 New Ordinary Shares at an Offer Price of 20 pence per share, which is a discount of 31.03 per cent. to the closing middle market quotation of an Existing Ordinary Share (as derived from the Daily Official List of the London Stock Exchange) of 29 pence per share on 11 August (being the last Business Day prior to the announcement of the Capital Raising), and otherwise on the terms as set out in the Prospectus, be and is hereby approved.



**4. Related party transaction (Jonathan Miller participation in the Firm Placing)**

That the subscription by Jonathan Miller for 15,000,000 New Ordinary Shares under the terms of the Firm Placing (as such terms are described in the Prospectus of which this Notice of General Meeting forms part), being a related party transaction for the purposes of Chapter 11 of the Listing Rules, be and is hereby approved.

**5. Related party transaction (Aberforth's participation in the Firm Placing)**

That the subscription by Aberforth for 25,000,000 New Ordinary Shares pursuant to the Firm Placing (as such terms are described in the prospectus of which this Notice of General Meeting forms part), being a related party transaction for the purposes of Chapter 11 of the Listing Rules, be and is hereby approved.

By order of the Board  
Registered Office:

Ground Floor West  
One London Road  
Brentwood  
Essex  
England  
CM14 4QW

**Rachel Peat**  
*Company Secretary*

13 August 2021

Registered in England and Wales No. 08783477

## NOTES TO THE NOTICE OF GENERAL MEETING

1. The business to be conducted at the meeting is set out on the previous page of this notice of meeting (the “**Notice**”).
2. Only those shareholders on the register of members of the Company as at 6.00 p.m. on 10 August 2021 (or, in the event of any adjournment, at 6.00 p.m. on the day, two days before the reconvened meeting) will be entitled to attend or vote at the General Meeting and they may only vote in respect of the number of shares registered in their name at the relevant time. Changes to entries on the register of members after the relevant deadline will be disregarded in determining the rights of any person to attend or vote at the meeting.
3. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation of the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered. Due to the evolving nature of the COVID-19 pandemic, we cannot guarantee that physical attendance will be permitted by law and UK Government guidance. If such law and guidance requires us to restrict entry to the General Meeting, an announcement will be released and details will also be published on our website at [www.mccollsplc.co.uk](http://www.mccollsplc.co.uk). Instead, shareholders are encouraged to complete a Form of Proxy and appoint the Chairman as proxy if they wish to participate in the vote and shareholders are advised that, if they attempt to attend the meeting, they may be denied entry to the venue. The Company therefore encourages Shareholders to ask any questions in advance by email to [investor.relations@mccolls.co.uk](mailto:investor.relations@mccolls.co.uk) by 11.00 a.m. on Tuesday 31 August 2021.
4. A member is entitled to appoint another person as his proxy to exercise all or any of his rights to attend, to speak and to vote at the meeting. A member may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him. A proxy need not be a member of the Company. In light of the COVID-19 pandemic, Shareholders are strongly encouraged to appoint the Chairman of the General Meeting as their proxy to ensure that their vote is counted. A form for appointing a proxy accompanies this Notice. To be effective, the Form of Proxy must be completed and reach the Company’s registrars, Equiniti Limited, at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA not later than 11.00 a.m. on Monday 30 August 2021. You may also submit your proxy electronically; see your proxy card for details of how to register your vote. Completion of a Form of Proxy, other such instrument or any CREST Proxy Instruction will not preclude a member from attending and voting in person at the meeting. If you require additional forms of proxy, please contact the Registrars of the Company on 0333-207-6534 or if calling from outside the UK on +44 333-207-6534. Lines are open from 08:30 to 17:30 p.m., Monday to Friday (excluding bank holidays in England and Wales).
5. In the case of a shareholder which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company.
6. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.
7. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company’s register of members in respect of the joint holding (the first-named being the most senior).
8. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of the same powers as the corporation could exercise if it were an individual member provided they do not do so in relation to the same shares.
9. CREST members holding their shares in uncertificated form who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a “**CREST Proxy Instruction**”) must be properly authenticated in accordance with Euroclear’s specifications and must contain the information required for such instructions, as described in the

CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or relates to an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (CREST ID RA19) no later than 11 a.m. on Monday 30 August 2021. For these purposes, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. No messages received through the CREST network after this time will be accepted. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

10. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular message. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such actions as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning limitation of the CREST system and timings.
11. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. The CREST Manual can be reviewed at [www.euroclear.com](http://www.euroclear.com).
12. The Company cannot accept responsibility for loss or damage arising from the opening or use of any emails or attachments from the Company and recommends that shareholders subject all messages to virus checking procedures prior to opening or use. Any electronic communication received by the Company and/or Equiniti, including the lodgement of an electronic Form of Proxy, that is found to contain a computer virus will not be accepted.
13. A person who is not a shareholder of the Company, but has been nominated by a shareholder to enjoy information rights in accordance with section 146 of the Companies Act (a "**nominated person**") does not have a right to appoint any proxy. Nominated persons may have a right under an agreement with the shareholder to be appointed (or to have someone appointed) as a proxy for the meeting. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under an agreement with the relevant shareholder to give instructions as to the exercise of voting rights. The statement of the rights of shareholders in relation to the appointment of proxies in paragraph 4 above does not apply to nominated persons. The rights described in paragraph 4 can only be exercised by shareholders of the Company. If you have been nominated to receive general shareholder communications directly from the Company, it is important to remember that your main contact in terms of your investment remains the registered shareholder or custodian or broker who administers the investment on your behalf. Therefore, any changes or queries relating to your personal details and holding (including any administration) must continue to be directed to your existing contact at your investment manager or custodian. The Company cannot guarantee to deal with matters that are directed to them in error. The only exception to this is where the Company, in exercising one of its powers under the Companies Act, writes to you directly for a response.
14. As at 12 August 2021 (being the last practicable Business Day prior to the publication of this Notice) the Company's issued share capital consisted of 115,304,400 ordinary shares of £0.001 each, carrying 1 vote each. Therefore the total voting rights in the Company as at that date were 115,304,400.
15. A copy of this Notice and other information required by section 311A of the Companies Act can be found at [www.mccollsplc.co.uk](http://www.mccollsplc.co.uk).
16. Except as provided above, members who have general queries about the meeting should use the following means of communication (no other methods of communication will be accepted):
  - calling the shareholder helpline on 0333-207-6534 or if calling from outside the UK on +44 333-207-6534. Lines are open between 08:30 and 17:30 (UK time) (excluding bank holidays in England and Wales);
  - by writing to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA; or

- by sending an email to Offer@equiniti.com
17. You may not use any electronic address provided either in this Notice or any related documents to communicate with the Company for any purposes other than those expressly stated.
  18. Subject to any UK Government public health restrictions in respect of COVID-19, a copy of the following documents will be available for inspection at the Company's registered office during normal business hours (weekend and public holidays excepted) from the date of the Notice of General Meeting and shall be available at the place of the General Meeting at least 15 minutes prior to the General Meeting and during the General Meeting:
    - a. the Articles of Association; and
    - b. a copy of this document (including the circular).

