



# ADMISSION DOCUMENT

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

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

Application has been made for all of the issued and to be issued Ordinary Shares to be admitted to trading on AIM. It is expected that **Admission will become effective and that unconditional dealings will commence in the Ordinary Shares on 18 May 2017. No application has been, or is currently intended to be, made for the Ordinary Shares to be admitted to listing or trading on any other stock exchange.**

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

The Directors, whose names appear on page 4 of this document, and the Company, accept responsibility, collectively and individually, in accordance with the AIM Rules for Companies, for the information contained in this document. The Directors and the Company, who have taken all reasonable care to ensure that such is the case, declare that the information contained in this document is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

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



## **EVE SLEEP PLC**

*(Incorporated under the Companies Act 2006 and registered in England and Wales with registered number 09261636)*

**Placing of 34,587,411 new ordinary shares of 0.1 pence each at 101 pence per share**

and

**Admission to trading on AIM**

Nominated Adviser and Broker

# **PEEL HUNT**

**Peel Hunt LLP**

Share capital immediately following Admission

Issued and fully paid

	<u>Amount</u>	<u>Number</u>
Ordinary shares of 0.1 pence each . . . . .	£138,350	138,349,644

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

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

A copy of this document is available at the Company's website [www.investor.evemattress.co.uk](http://www.investor.evemattress.co.uk). Neither the content of the Company's website nor any website accessible by hyperlinks to the Company's website is incorporated in, or forms part of, this document.

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## IMPORTANT NOTICE

### Cautionary Note Regarding Forward-Looking Statements

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

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this document are based on certain factors and assumptions, including the Directors’ current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Company’s operations, results of operations, growth strategy and liquidity. While the Directors consider these assumptions to be reasonable based upon information currently available, they may prove to be incorrect. Prospective investors should therefore specifically consider the risk factors contained in Part II of this document that could cause actual results to differ before making an investment decision. These forward-looking statements speak only as of the date of this document. Save as required by the AIM Rules for Companies, the Market Abuse Regulation or applicable law, the Company undertakes no obligation to publicly release the results of any revisions to any forward-looking statements in this document that may occur due to any change in the Directors’ expectations or to reflect events or circumstances after the date of this document.

### Notice to Overseas Persons

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

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

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



### **Basis on which Financial Information is presented**

Unless otherwise indicated, financial information in this document, including the historical financial information on the Group for the periods ended 31 December 2015 and 2016 has been prepared in accordance with IFRS.

The historical financial information does not constitute statutory accounts as defined in section 434 of the Companies Act 2006.

The financial information does not constitute the Group's statutory accounts for the years ended 31 December 2016 or period ended 31 December 2015 but is derived from those accounts. Statutory accounts for 2015 have been delivered to the Registrar of Companies but they were in respect of the Company only. Consolidated financial statements for 2016 will be delivered in due course. The auditor has reported on the 2016 consolidated financial statements and their report was unqualified.

For the periods ended 31 December 2016 and 31 December 2015, the Company was entitled to exemption from audit under section 477 of the Companies Act 2006 and the members did not require the Company to obtain an audit of its financial statements in accordance with Section 476 of the Companies Act 2006.

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

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

This document contains information regarding the Company's business and the industry in which it operates and competes, which the Company has obtained from various third party sources. Where information contained in this document originates from a third party source, it is identified where it appears in this document together with the name of its source. Such third party information has been accurately reproduced and, so far as the Company is aware and is able to ascertain from information published by the relevant third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The Company has obtained the third party data in this document from industry studies, forecasts, reports, surveys and other publications.

### **References to Defined Terms and Interpretation**

Certain terms used in this document are defined in the sections of this document under the headings "Definitions".

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

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

## DIRECTORS, SECRETARY AND PROFESSIONAL ADVISERS

Directors	Paul Pindar (Non-Executive Chairman) Jas Bagniewski (Chief Executive Officer) Abid Ismail (Chief Financial Officer) Peter Hepworth (Senior Independent Non-Executive Director) Thomas Enraght-Moony (Independent Non-Executive Director)  <i>All of whose business address is at the Company's registered and head office</i>
Registered and Head Office	Interchange Atrium The Stables Market Chalk Farm Road Camden London NW1 8AH
Company website	<a href="http://www.evemattress.co.uk">www.evemattress.co.uk</a>
Company Secretary	Capita Registrars Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Nominated Adviser and Broker	Peel Hunt LLP Moor House 120 London Wall London EC2Y 5ET
Legal advisers to the Company	Norton Rose Fulbright LLP 3 More London Riverside London SE1 2AQ
Legal advisers to the Nominated Adviser and Broker	CMS Cameron McKenna Nabarro Olswang LLP Cannon Place 78 Cannon Street London EC4N 6AF
Reporting Accountants and Auditors	KPMG LLP 15 Canada Square Canary Wharf London E14 5GL
Registrar	Capita Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU



## DEFINITIONS

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

<b>Act</b> . . . . .	the Companies Act 2006 (as amended)
<b>Admission</b> . . . . .	the admission of the issued and to be issued Ordinary Shares to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules for Companies
<b>AIM</b> . . . . .	AIM, a market operated by the London Stock Exchange
<b>AIM Rules for Companies</b> . . . . .	the AIM rules for companies published by the London Stock Exchange from time to time
<b>AIM Rules for Nominated Advisers</b> . . . . .	the AIM rules for nominated advisers published by the London Stock Exchange from time to time
<b>Articles</b> . . . . .	the articles of association of the Company adopted conditional on Admission
<b>Audit Committee</b> . . . . .	the audit committee of the Board
<b>Board or Directors</b> . . . . .	the directors of the Company as at the date of Admission, whose names are set out on page 4 of this document
<b>Capita Asset Services</b> . . . . .	Capita Asset Services, a trading name of Capita Registrars Limited, a company incorporated in England and Wales, whose registered office is at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
<b>CEO</b> . . . . .	Chief Executive Officer
<b>Channel 4 or Channel Four</b> . . . . .	Channel Four Television Corporation
<b>City Code</b> . . . . .	the City Code on Takeovers and Mergers
<b>Company or eve</b> . . . . .	eve Sleep plc, a company incorporated in England and Wales with company number 09261636
<b>Company Secretary</b> . . . . .	Capita Asset Services
<b>CREST</b> . . . . .	the relevant system (as defined in the CREST Regulations) for paperless settlement of share transfers and holding shares in uncertificated form which is administered by Euroclear
<b>CREST Regulations</b> . . . . .	the Uncertificated Securities Regulations 2001 (S.I. 2001 No. 3755) (as amended)
<b>DN Capital</b> . . . . .	DN Capital—Global Venture Capital III, L.P.
<b>DTRs</b> . . . . .	the Disclosure Guidance and Transparency Rules sourcebook made by the FCA pursuant to 73A of FSMA
<b>Duflex</b> . . . . .	Duflex Foam Limited, a company incorporated in England whose registered office is at Belfield Furnishings Limited, Furnace Road, Furnace Road, Ilkeston, Derbyshire, DE7 5EP
<b>EEA</b> . . . . .	the European Economic Area
<b>EMI</b> . . . . .	tax-approved Enterprise Management Incentives
<b>Enlarged Ordinary Share Capital</b> . . . . .	the entire Ordinary Share capital of the Company as enlarged by the issue of the Placing Shares under the Placing
<b>EU</b> . . . . .	the European Union

<b>Euroclear</b> . . . . .	Euroclear UK & Ireland Limited, a company incorporated in England and Wales whose registered office is at 33 Cannon Street, London EC4M 5SB
<b>Executive Directors</b> . . . . .	Jas Bagniewski and Abid Ismail
<b>Existing Ordinary Shares</b> . . . . .	the Ordinary Shares in issue immediately prior to Admission following the Share Capital Reorganisation
<b>FCA</b> . . . . .	the Financial Conduct Authority
<b>Frankenstolz</b> . . . . .	H. Neumeyer gmbh & Co, KG t/a f.a.n. frankenstolz schlafkomfort, a company incorporated and registered in Germany whose registered office is at Industriestr. 1-3 D-63814 Mainaschaff
<b>FSMA</b> . . . . .	the Financial Services and Markets Act 2000 (as amended)
<b>FXI</b> . . . . .	FXI Inc., a Delaware corporation
<b>Group</b> . . . . .	the Company and its subsidiary undertakings
<b>HMRC</b> . . . . .	HM Revenue & Customs
<b>IFRS</b> . . . . .	International Financial Reporting Standards
<b>IPO</b> . . . . .	initial public offering
<b>Lock-in Deeds</b> . . . . .	the conditional deeds dated on or around the date of this document and made between Peel Hunt and certain Shareholders, further details of which are set out in paragraph 10 of Part VI of this document
<b>London Stock Exchange</b> . . . . .	London Stock Exchange plc
<b>Market Abuse Regulation</b> . . . . .	Regulation 596/2014/EU of the European Parliament and of the Council of 16 April 2014 on market abuse
<b>New Share Option Plan</b> . . . . .	the Company's new share option arrangements, details of which are set out in paragraph 7 of Part VI of this document
<b>Nomad and Broker Agreement</b> . . . . .	the conditional agreement dated on or around the date hereof made between (1) the Company (2) the Directors and (3) Peel Hunt relating to Peel Hunt's role as nominated adviser and broker to the Company, further details of which are set out in paragraph 9.2 of Part VI of this document
<b>Nomination Committee</b> . . . . .	the nomination committee of the Board
<b>Non-Executive Directors</b> . . . . .	Paul Pindar, Peter Hepworth and Thomas Enraght-Moony
<b>Octopus</b> . . . . .	collectively, Octopus Titan VCT plc, Octopus Investments Nominees Limited and Octopus Eclipse VCT plc
<b>Official List</b> . . . . .	the Official List of the FCA
<b>Order</b> . . . . .	the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended)
<b>Ordinary A Shares</b> . . . . .	the A ordinary shares of 0.01 pence each in the Company in issue prior to the Share Capital Reorganisation
<b>Ordinary B Shares</b> . . . . .	the B ordinary shares of 0.01 pence each in the Company in issue prior to the Share Capital Reorganisation
<b>Ordinary C Shares</b> . . . . .	the C ordinary shares of 0.01 pence each in the Company in issue prior to the Share Capital Reorganisation

<b>Ordinary Shares</b> . . . . .	ordinary shares of 0.1 pence each in the capital of the Company in issue following the Share Capital Reorganisation
<b>Panel</b> . . . . .	the Panel on Takeovers and Mergers
<b>Peel Hunt</b> . . . . .	Peel Hunt LLP
<b>Placee</b> . . . . .	persons who are invited to and who choose to subscribe for Placing Shares in the Placing
<b>Placing</b> . . . . .	the conditional placing of the Placing Shares by Peel Hunt as agent for and on behalf of the Company as described in this document
<b>Placing Agreement</b> . . . . .	the conditional agreement dated on or around the date hereof and made between (1) the Company (2) Peel Hunt (3) the Directors and (4) the Senior Managers, relating to the Placing, further details of which are set out in paragraph 9.1 of Part VI of this document
<b>Placing Price</b> . . . . .	101 pence per Placing Share
<b>Placing Shares</b> . . . . .	the 34,587,411 new Ordinary Shares to be issued by the Company at the Placing Price pursuant to the Placing
<b>Preferred A Shares</b> . . . . .	the preferred A shares of 0.01 pence each in the Company in issue prior to the Share Capital Reorganisation
<b>Preferred Shares</b> . . . . .	the preferred shares of 0.01 pence each in the Company in issue prior to the Share Capital Reorganisation
<b>Previous Ordinary Shares</b> . . . . .	the ordinary shares of 0.01 pence each in the Company in issue prior to the Share Capital Reorganisation
<b>Prospectus Directive</b> . . . . .	the European Prospectus Directive 2003/71/EC (as amended)
<b>Prospectus Rules</b> . . . . .	the prospectus rules made by the FCA pursuant to section 73A of FSMA
<b>Registrar</b> . . . . .	Capita Asset Services
<b>Relevant Member State</b> . . . . .	a member state of the European Economic Area which has implemented the Prospectus Directive
<b>Remuneration Committee</b> . . . . .	the remuneration committee of the Board
<b>Restricted Jurisdiction</b> . . . . .	the United States, Australia, New Zealand, Canada, Japan, the Republic of South Africa or any other country outside of the United Kingdom where the distribution of this document may lead to a breach of any applicable legal or regulatory requirements
<b>Senior Managers</b> . . . . .	Felix Lobkowicz, Kuba Wieczorek and James Fryer
<b>Share Capital Reorganisation</b> . . . . .	the reorganisation of the share capital of the Company being effected immediately prior to Admission, details of which are set out in paragraphs 2.3 to 2.6 of Part VI of this document
<b>Shareholder</b> . . . . .	a holder of Ordinary Shares from time to time (or, where the context so requires, a holder of shares in the Company prior to the Share Capital Reorganisation)
<b>Terms and Conditions</b> . . . . .	the terms and conditions of the Placing set out in Part V of this document
<b>UK or United Kingdom</b> . . . . .	the United Kingdom of Great Britain and Northern Ireland

<b>UKLA</b> .....	the FCA, acting for the purposes of Part V of FSMA
<b>uncertificated or in uncertificated form</b> .....	recorded on the register of Ordinary Shares as being held in uncertificated form in CREST, entitlement to which, by virtue of the CREST Regulations, may be transferred by means of CREST
<b>US, USA or United States</b> .....	the United States of America, each state thereof, its territories and possessions and the District of Columbia and all other areas subject to its jurisdiction
<b>US Securities Act</b> .....	United States Securities Act of 1933 (as amended)
<b>VAT</b> .....	UK value added tax
<b>Woodford</b> .....	collectively, CF Woodford Equity Income, Woodford Patient Capital Trust plc and Omnis Income & Growth Fund

## GLOSSARY OF TECHNICAL TERMS

<b>AOV</b>	average order value
<b>ATL</b>	above the line
<b>B2C</b>	business to consumer
<b>CPA</b>	cost per acquisition
<b>D2C</b>	direct to consumer
<b>EBIT</b>	earnings before interest and taxation
<b>EBITDA</b>	earnings before interest, taxation, depreciation and amortisation
<b>FY15</b>	the financial period ending 31 December 2015
<b>FY16</b>	the financial year ending 31 December 2016
<b>KPIs</b>	key performance indicators
<b>PPC</b>	pay per click
<b>SKU</b>	stock keeping unit
<b>TV</b>	television
<b>YoY</b>	year on year

## PLACING STATISTICS

Placing Price . . . . .	101 pence
Number of Placing Shares . . . . .	34,587,411
Percentage of Enlarged Ordinary Share Capital being placed pursuant to the Placing . . . . .	25.0 per cent.
Gross proceeds of the Placing . . . . .	£34.9 million
Estimated net proceeds of the Placing . . . . .	£32.6 million
Number of Ordinary Shares in issue at Admission . . . . .	138,349,644
Market capitalisation of the Company at the Placing Price at Admission . . . . .	£139.7 million
ISIN number . . . . .	GB00BYWMFT51
SEDOL number . . . . .	BYWMFT5
AIM "ticker" . . . . .	EVE

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

<u>EVENT</u>	<u>EXPECTED DATE<sup>(1)</sup></u>
Publication of this document . . . . .	15 May 2017
Admission and commencement of dealings in the Enlarged Ordinary Share Capital on AIM . . . . .	8.00 am. on 18 May 2017
CREST accounts credited, where applicable . . . . .	18 May 2017
Despatch of definitive share certificates, where applicable, by . . . . .	31 May 2017

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### Notes

(1) Each of the above dates is subject to change at the absolute discretion of the Company and Peel Hunt. If any of the above dates change, the revised date will be notified by an announcement on a regulatory news service.



**PART I**  
**INFORMATION ON THE COMPANY**

**INFORMATION ON THE COMPANY AND ITS BUSINESS**

**Introduction**

*“Every great day starts the night before”*

eve is an e-commerce focused, direct to consumer European sleep brand which designs and sells eve-branded mattresses and other sleep products, including pillows, sheets and duvets.

eve has grown quickly, with revenue increasing from £2.6 million in FY15 (the Company's first financial period of operation) to £12.0 million in FY16. This growth is principally due to establishing and increasing market share in the UK, expansion into new overseas markets and the introduction of new product lines. Underpinning this growth is a strong customer proposition (attractive brand; simple customer journey; high quality products at an affordable price point), a scalable marketing strategy and an experienced management team.

The Company principally focuses on the design, branding, marketing and selling of its products, with other aspects of its operations, including manufacturing and fulfilment, being outsourced. This model has enabled the Company to scale quickly internationally without the requirement for significant capital investment.

The Company's strategy is to continue to penetrate existing territories further, expand into new markets, extend its product range and develop its retail partnerships. Whilst the Company has grown quickly since incorporation, its current market share of the fragmented European sleep market is only an estimated 0.1 per cent. which the Directors believe provides a significant opportunity for further expansion. The Company's aim is to become the leading pan-European sleep brand.

The Company is seeking to raise £34.9 million (before expenses) through the Placing, the net proceeds of which will be used to accelerate the implementation of the Company's growth strategy.

The Directors believe that the Company's key strengths can be summarised as follows:

- Strong customer proposition that is disrupting a large and fragmented market;
- Experienced management team with e-commerce expertise;
- Scalable marketing strategy;
- Optimised infrastructure to support growth; and
- Attractive financial metrics.

**History**

The Chief Executive Officer of the Company, Jas Bagniewski, co-founded the Company alongside Kuba Wieczorek and James Fryer, who are now Chief Brand Officer and Head of Business Development respectively at the Company. The Company was founded on the principle that the existing sleep product market was complex and could be radically improved in order to offer consumers an easier, quicker and cheaper method for purchasing sleep products without needing to compromise on customer satisfaction or product quality. The founders developed a business model which centred on offering consumers a streamlined range of sleep products which would be primarily sold through eve's own e-commerce platform. With their combined experience in e-commerce, advertising and the sleep industry, the founders set out to create a clear and simple customer proposition focusing on brand, simplicity and price.

The Company was incorporated as an English company in October 2014 and officially launched in February 2015. The Company's headquarters and centre of operations remain in Camden, London but it has since grown its international footprint. In 2015, the Company launched in Germany and the US and in 2016, the Company launched in France, Italy, the Netherlands, Poland and Switzerland. In 2017, the Company launched in Sweden and Spain and expects to launch in Denmark, Norway and Ireland shortly. Through its existing websites, the Company also services consumers in other European countries.

Since incorporation, the Company has been principally funded through third party equity investment, securing a number of blue-chip investors, including DN Capital, Octopus and, more recently, Woodford and 4 Ventures Limited (Channel 4).

## Market

The Directors believe that the size and underlying trends of the mattress and wider sleep market in which eve operates across the UK and Europe provide the Company with a significant growth opportunity. In 2019, the European<sup>1</sup> mattress market is forecast to be worth approximately £5 billion, of which the UK is forecast to comprise approximately £1 billion<sup>2</sup>; however the sleep market in which eve operates (which includes all bedroom furniture,<sup>3</sup> bed and bath textiles) is, by 2019, forecast to be worth approximately £26 billion in Europe, of which the UK is forecast to comprise approximately £6 billion<sup>4</sup>.

The UK mattress market grew at a rate of 2.3 per cent. in 2014 and 2.6 per cent. in 2015<sup>5</sup>. However, this growth rate is forecast to accelerate to approximately 3.5 per cent. per annum on average between 2017 and 2019<sup>6</sup>. The majority of this growth has been and is expected to be driven by volume, supplemented by some consumers trading up from the standard to premium mattress category.

The current online penetration of the 'furniture' market (which includes mattresses) is low; however this is changing. The 'furniture' market's forecast online growth rate is anticipated to be materially higher than the vast majority of other retail categories. In 2017, within the retail sector, 'electricals' and 'clothing and footwear' are expected to have the highest online penetration, with approximately 53 per cent. and 25 per cent. respectively, whilst in comparison 'furniture' is only expected to have 15 per cent<sup>7</sup>. Aside from 'health and beauty', 'furniture' has the highest forecast growth rate in online sales of 55 per cent. from 2017 to 2022, which would take its online penetration to 21.2 per cent. by 2022<sup>8</sup>. The Directors believe that the current low level of penetration is in part due to mattress retailers being slow to innovate as well as consumers, historically, showing some reluctance to purchase big-ticket items online. However, the Directors anticipate that consumers will come to recognise the benefits of purchasing big-ticket items online, helped by eve's 100 night trial and, in mainland UK, free delivery and returns, as well as the wider societal trends of the growing internet generation.

The UK competitive landscape is fragmented. As at April 2017, while IKEA, the market leader, held an approximately 17.0 per cent. market share of the UK bedroom furniture market, the top six operators held less than 50 per cent. of the market share in aggregate in the UK. The Directors believe this fragmentation enables the Company to more easily penetrate the UK market. Furthermore, there are no pure-play online competitor brands with a top-10 market share position in the UK bedroom furniture market. The Directors believe that this presents the Company with the potential to become the go-to online brand, which is supported by eve's favourable brand strength when benchmarked against both traditional 'bricks and mortar' and 'pure-play online' competitors<sup>9</sup>.

The Company's expansion strategy overseas focuses on the scalability of its UK model into overseas markets. The Company is building momentum in Germany which is the largest European mattress market and which is forecast to be worth £1.4 billion by 2019<sup>10</sup>. France also offers potential for further growth opportunities for the Company and has been shown to be the Company's fastest growing overseas market to date. In addition to existing markets, the Directors intend to expand into new geographical markets (as described in "*Growth Strategy*" later in this Part I of this document).

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<sup>1</sup> Western Europe only.

<sup>2</sup> Euromonitor International Ltd, Home and Garden 2016 edition: fixed 2015 ex rates, constant 2015 prices.

<sup>3</sup> Bedroom furniture refers to any kind of furniture designed for the bedroom or sleeping area of the house, including beds and mattresses.

<sup>4</sup> Euromonitor International Ltd, Home and Garden 2016 edition: fixed 2015 ex rates, constant 2015 prices.

<sup>5</sup> GlobalData, Home Retail Research: Bedroom Furniture, January 2016.

<sup>6</sup> GlobalData Bedroom Furniture, April 2017.

<sup>7</sup> GlobalData Economic & Retail Update Q1 2017.

<sup>8</sup> GlobalData Economic & Retail Update Q1 2017.

<sup>9</sup> Google trends (UK only) for the 12 months leading up to 30 April 2017.

<sup>10</sup> Euromonitor International Ltd; Home and Garden 2016 edition; fixed 2015 ex rates, constant 2015 prices.

## Products



The Directors believe that an increasing number of consumers are looking for sleep products which can make a difference to their relaxation and sleeping patterns and, as a consequence, their general wellbeing. As such, the Company has invested significant resources developing a high quality, curated product range which has been tried and tested across a variety of consumers and which is safe, affordable, comfortable and fit for purpose. In addition, as the Directors believe that consumers should also be able to buy sleep products which they are proud to have in their bedroom, the Company has also invested significant resources in making its products design-led and desirable. The branding which is applied to all of the Company's products is influenced by Scandinavian themes of simplicity and a distinctive colour palette (characterised by the signature brand colour of yellow with highlights of white and grey). This design and branding has demonstrated an ability to be adapted to multiple products (such as the pillow, topper, protector, duvet and sheet) which the Directors believe is important in creating a consistent brand message and encourages existing customers to return to eve when they are looking for sleep products to complement those already purchased.

The Company's first product was its memory foam mattress. Following the launch of the initial product, the mattress has continued to be modified and improved through extensive product testing, customer feedback and reviews. Today's product is now made up of three layers: a base layer of high density foam (which provides support and durability); a middle layer of open-celled foam (which encourages air flow); and a top layer of next-generation memory foam (which moulds around pressure points and then springs back once the pressure is released). There is also an outer cover (to protect the mattress and to provide a soft top surface). The foam and cover account for approximately two thirds of the costs of the mattress, with the other components being made up of packaging and labour / margin.

The Company currently offers a single design for its memory foam mattress and is in the early stages of testing a spring mattress design. By tailoring its mattresses to fit most bed sizes (for example, beds for campervans and bed frames with non-standard sizes) and modifying its mattresses in accordance with cultural preferences and regulations in different geographical markets, the Company is able to appeal to a larger number of consumers. A particular feature that is constant across the Company's product range is that all materials used in the Company's products have the required certification to ensure that they are safe and non-toxic. In the UK, for example, the mattresses are CertiPUR certified, the fabric cover is OEKO-TEX® certified and the mattress complies with the British Standards for flammability for mattresses (BS 7177:2008+A1:2011:Low Hazard). The mattresses also come with a 10 year guarantee. By applying such standards to its products and offering consumer-friendly features such as the 100 night trial and 10 year guarantee for its mattresses, the Directors hope to encourage confidence in the product and, as a result, the brand.

The Company currently has an in-house buyer and technologist team with design expertise and also engages design specialists to assist with the design, aesthetics and functionality of a product before a product launch. As the Company continues to grow, the Directors intend to build its in-house research

and development team, recognising the importance of the function to the Company's brand and the future development of the Company's business.

### **Customer proposition: brand, simplicity and price**

The Company's customer proposition focuses on brand, simplicity and price.

#### *Brand*

The eve brand is at the heart of the business. eve's core brand values of optimism, energy, simplicity, alongside a focus on great design, underpin the Company's goal of turning a "sleepy" product category into a truly desirable one. This goal is reflected in the Company's ethos which is "every great day starts the night before" and so the focus is on what a great night's sleep enables you to do rather than merely the sleep itself. This translates into the customer facing message of "everybody deserves the perfect start".

The brand has demonstrated broad appeal. An Experian survey revealed that eve has a wide customer appeal, with a particular strength in the 25+ age range and £40,000+ income bracket. The Directors believe this broad appeal has been a key component in enabling the Company to increase penetration successfully in existing markets, expand into new territories and extend its product range.

The brand has had significant external recognition: eve is the first and only dedicated mattress brand to be awarded CoolBrands® status, named alongside established brands such as Apple and Mercedes Benz, as well as emerging brands such as SipSmith, Superga and Itsu. The strength of the brand is further evidenced by the various awards and ratings it has received including Ideal Home's "Best mattress for online only"<sup>11</sup> received earlier this year and currently has a Trustpilot star rating of five stars and a review score of 9.5/10<sup>12</sup> as well as an Amazon review score of 4.4/5<sup>13</sup>. The eve mattress has passed the Consumer Quality Assessment tests carried out by the Good Housekeeping Institute – being deemed relaxing and luxurious.

#### *Simplicity*

The Directors believe that the more traditional customer journey of buying sleep products, and in particular mattresses, which is offered by market incumbents is complex and therefore is becoming less attractive to consumers due to factors such as imposing sales staff, overwhelming range of choice, return trips to the high street, slow and costly deliveries and limited scope for returns. As such, with the aim of creating a more attractive customer experience, the Company set out to simplify the journey:

- A streamlined range of sleep products<sup>14</sup>;
- Free delivery and, in the UK, the option of next day delivery<sup>15</sup>;
- 100 night trial for its mattress; and
- Free returns.

Having fewer choices in the Company's product range is a key component of this simplified journey. Through this, the Company aims to make the journey of its customers a more attractive prospect by transferring the burden of the decision-making process from the consumer to the Company, thereby reducing the time and effort that the consumer would otherwise have to expend in assessing which product is fit for purpose. In order to address the requirements of as many consumers as possible and thereby aiming to widen the net of potential customers in the UK and in the rest of Europe, the Company maintains a dynamic design process whereby products are periodically improved, tested and critically evaluated in light of customer feedback and new ideas and advancements in the industry.

In order to offer a compelling proposition to consumers, the Company offers delivery to customers within the UK within one day of their purchase order being accepted and two to five business days

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<sup>11</sup> As at 21 February 2017.

<sup>12</sup> As at 22 April 2017.

<sup>13</sup> As at 22 April 2017.

<sup>14</sup> With variations for size and different markets.

<sup>15</sup> For customers in the EU, delivery times are two to five business days and for the US, delivery times are seven business days.

within Europe, saving the customer from lengthy wait times typically associated with buying a mattress and the difficulties of physically collecting a mattress in-store and transporting it home.

In addition, the Company offers the 100 night sleep trial for mattresses, allowing customers to trial the mattress for over three months in the comfort of their own homes, in order to give customers confidence in their purchasing decisions, provide consumers with additional security when purchasing the Company’s products online and encourage confidence in the Company’s brand and reputation. Furthermore, the Company operates a straightforward returns policy which does not charge the customer if the mattress is returned within the 100 nights, thereby further de-risking the customer’s decision-making process and encouraging them to purchase from the Company. The Directors believe that these added-value services will continue to be a key factor in the Company’s strategy going forward.

For a UK customer, this is how the journey with the Company might look:



in comparison to the more traditional model:



**Price**

One of the factors on which the Company’s customer proposition is based is price. The Directors believe the Company offers customers an overall product proposition which represents great value for money. Not only does the Company offer its customers a lower price for its memory foam mattress when compared to similar specification memory foam mattresses from established players, it also offers additional extras such as, in the UK, free delivery and free returns within 100 nights of purchase which keeps the journey affordable for consumers and presents an attractive combination which many competitors do not offer. The Company is able to offer a more affordable price to consumers as the majority of sales are conducted through the Company’s e-commerce platform, which reduces the Company’s ‘bricks and mortar’ overheads in comparison to some of the key competitors in the sleep market.

The direct to consumer model also means that the Company has control and flexibility to price its products as it sees fit and to run promotions as and when it chooses as it is typically not subject to the restrictions or requirements of any intermediary as to the manner in which the products are sold. This allows the Company to vary its sale prices in response to demand and movements in the consumer market and gives the Company more control over its pricing strategy.

## Marketing

The Directors believe that a strategic approach to marketing which focuses on both driving sales and the promotion of the eve brand is a fundamental component to the success of the Company. To date, the Company has pursued a growth-led strategy and has therefore invested heavily in marketing to drive sales and build its brand. As a result, overall marketing costs materially increased from FY15 to FY16, primarily as a result of greater investment in ATL channels such as TV. However, in the UK (the Company's most established market) eve's CPA has started to decrease materially and the Directors envisage that the UK business can break even in the near term. In the medium term, the Company's aspirational blended CPA target (for the UK) is around £100. Furthermore, the Directors believe that the marketing strategy adopted in the UK can be replicated in new territories, which would indicate that the overall business will move to profitability in the medium term.

The Directors believe the Company's ability to appropriately balance both ATL (with the objectives of brand building and driving sales) and performance marketing (where the principal objective is to drive sales) has been, and will continue to be, a key component to the success of the Company.

### ATL

The Company adopts an analytical approach to its ATL marketing and as such all advertising channels are assessed on three criteria: Can the Company measurably understand its impact? Can it be optimised? Can it be scaled? Since incorporation, the Company has tested a number of different ATL channels in order to understand which channel best meets these criteria. These campaigns have included the following:

- From November 2015 to January 2016 the Company launched advertisements which were published across the London Underground and the London South East rail network to advertise its mattress and promote brand awareness in the capital city.
- From June 2016 to July 2016, the Company launched a radio advertising campaign in London and on Spotify to advertise its mattress.
- From July 2016, following Channel 4's equity investment in the Company, the Company ran television adverts on Channel 4 which showcased the mattress.

The Company has also received positive coverage in the press. For instance, its Nap Station pop-up in London resulted in 97 pieces of media coverage (with a public relations value of approximately £400,000), including in publications such as The Independent, The Evening Standard, Time Out and The Huffington Post. For further information on the Nap Station pop-up, see "*Other marketing related activities*" later in this Part I of this document.

The Company's relationship with Channel 4 enabled the Company, as a start-up, to enter the realm of television advertising for the first time, increasing awareness and engaging with potential customers across the UK. The 30 second advert, which featured a simple, pan shot of the mattress, reflected the Company's belief in its simple journey and streamlined product range, directing consumers to the Company's website and encouraging consumers to make use of the 100 night trial for its mattresses. This campaign was a key milestone in the Company's progression as the results of the Company's test and learn marketing phase demonstrated that TV was the ATL medium which best meets the Company's three advertising criteria.

Over a period of six months from September 2016 to March 2017<sup>16</sup>, the Company significantly reduced its TV CPA in its major markets, experiencing reductions of 61 per cent. in the UK, 73 per cent. in France and 51 per cent. in Germany. With the bespoke knowledge gathered during this period, the Directors believe that the Company is well equipped to maximise its ATL spend going forward and to continue to drive down its CPA in the medium term, not just in the UK but in other territories too.

### *Performance marketing*

Performance marketing, which focuses on driving sales, is equally important to the success of the Company. The Company uses various performance channels, including PPC, social media and e-mail in order to capture different audiences:

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<sup>16</sup> No TV campaigns were run in December.



- PPC enables the Company to target an audience who give indications that they intend to purchase a mattress or other sleep products. This channel is highly effective in driving high quality, low cost traffic to the Company's website. PPC costs primarily relate to Google AdWords. The Company uses AdWords so that its site appears in Google's search results when internet users search for the eve brand or relevant products. eve bids for relevant keywords (such as "eve", "mattress" and "memory foam mattress").
- Social media enables the Company to target an audience whose demographic is likely to resonate with the eve brand. Costs are primarily paid to Facebook whose chargeable model is similar in nature to AdWords but instead of keywords, costs are driven by target audiences, for example, by the size of the audience, the target demographic and whether there are other interested companies who drive up demand (and therefore costs) in a bidding process.
- E-mail enables the Company to target an audience who is already engaged with the brand, and therefore is an effective tool for cross-selling and up-selling opportunities.

The Company is constantly looking at optimising these campaigns through a range of strategies, including testing different creative strategies, restructuring campaigns and focusing on actively re-marketing to customers who have already interacted with eve's website. Such strategies have helped the Company achieve various reductions in performance marketing CPA and the Directors are optimistic regarding the cost effectiveness for such campaigns in the future.

The Company achieved reductions in its performance marketing CPA over the six months to March 2017 of 16 per cent. in the UK, 36 per cent. in France and 20 per cent. in Germany.

#### *Other marketing related activities*

The Company has also engaged in PR activities which have helped build brand awareness and also drive sales. For example, from June to July 2016, the Company ran its Nap Station in East London. The Nap Station gave Londoners the opportunity to have a power nap on one of the Company's mattresses and to take advantage of the free coffee and the Wi-Fi. The Nap Station was covered by a wide range of media, including mainstream media, social media and trade press (such as The Evening Standard, The Huffington Post and The Independent). The Company received encouraging results from this promotion and this led to the Company's partnership with Debenhams (see the paragraph entitled "*Develop retail partnerships*" in the "*Growth Strategy*" section later in this Part I of this document). eve's mattresses are currently on show in the home section of Debenhams' Oxford Street store in London and are also now in store in Plymouth, Croydon, Newcastle and Manchester. The Directors believe that the willingness of the Company to be open to the test and learn process and to maintain creative thinking in its marketing activities allows the Company to focus on strategies which are most likely to encourage eve's growth in its existing and target markets.





## **Infrastructure**

### *Websites*

The Company's architecture is designed to work from a central core which enables additional websites to be added quickly. This is a key component in the Company being able to scale quickly and expand into new territories. This also means that changes to the websites can be easily deployed across eve's online infrastructure.

Being an e-commerce company, the website is central to the Company's business model. The Directors believe that it is therefore essential to monitor its websites closely in order to assess how effectively they are facilitating consumer sales. The Company uses various tools (including heatmaps, scrollmaps, clickmaps and on-site surveys) and uses A/B testing (where one website version is compared to another to see which performs better) on its website to collect data which it then analyses, with a view to driving traffic and encouraging conversion; thereby optimising the efficiency of its website.

From the data that the Company has gathered so far (which included assessing how consumers in the UK scroll, click and generally interact with the Company's UK website) the Company decided to focus the website on messaging three key attributes: a premium mattress, 100 night trial and free returns. This resulted in a 15.7 per cent. uplift in conversion for the UK. The Company conducted similar tests in France and Italy with smaller sample sizes and this method showed a 27 per cent. uplift and a 17 per cent. uplift respectively. The Company also conducted a smaller and more abbreviated version of the same test in Germany and estimated a potential uplift of 5 per cent. in that market.

### *Manufacturing and delivery*

Simplicity is one of the core values at the heart of the Company's business model. It is not just the customer's journey that is simple; the simple construct of the Company's business means that it has a high potential for scalability. The Company outsources its principal operations, including manufacturing and fulfilment. This model is designed to avoid a substantial infrastructure fixed cost base and, as such, has enabled the Company to scale quickly internationally without the requirement for significant capital investment to date. Creating a model which can be adapted to large-scale operations has allowed management to focus time that they may otherwise have spent laying the infrastructure for growth on strengthening the Company's reputation with existing and potential customers and increasing its brand recognition.

The mattress is currently manufactured in the UK primarily for delivery to the UK and France by Duflex, which has material capacity headroom to cope with the Company's growth trajectory. The mattress is currently manufactured in Germany primarily for delivery to Germany, Spain, Poland, Italy, Switzerland, Austria, the Netherlands and all other EU markets by Frankenstolz and in the US for delivery to the US by FXI. The Company also has the ability to use alternative manufacturing partners. The Company's other products are all manufactured in Europe by four different manufacturers (one producing pillows, one pillow cases, one sheets and bedding and the other duvets).

Contingent on where the end customer is located, the products are either drop-shipped from Duflex (UK mattress customers) or shipped from third party logistics warehouses located in the US, Belgium or the UK.

The effectiveness of the manufacture and delivery process is essential to the simplicity of the customer journey, which is one of the Company's key marketing messages. The effectiveness of the manufacturing model was put to the test in the Amazon Black Friday sale in 2016 when the Company triggered a promotion and the Company's manufacturers were tasked with producing 6,000 mattresses (in addition to its regular orders) in five weeks and which was accomplished without adversely affecting the manufacturing or delivery timings of the regular orders. The Directors believe that the ability of the Company's manufacturers to respond effectively to its requirements is central to promoting and maintaining customer goodwill in the Company and the brand.

### *Returns*

In order to promote its e-commerce model to consumers, the Company operates a simple returns policy. Where a customer contacts the Company to request a return of a mattress within the 100 night trial period, the Company arranges for collection of the mattress at no cost to the consumer through one of its reverse logistics providers. The mattress is either returned to the manufacturer (which is the

case for all mattresses manufactured in the UK), put into temporary storage or, where necessary for logistical reasons, is disposed of or refurbished. For mattresses which are returned following a complaint from a customer concerning a defective mattress, the Company will organise an inspection team to ascertain the defect and will investigate how the defect occurred in order to reduce the risk of a defect re-occurring.

### *Disposals and recycling*

The environment is a key concern for the Company and the Directors' aim is to reduce the amount of waste that goes to landfill. As such, when an eve mattress is returned to the Company, the mattress is thoroughly checked over and, depending on its condition, is refurbished and given a new lease of life as a second-hand mattress. Not only is the refurbishment of suitable mattresses for sale cost effective for the Company but it also reduces the number of mattresses being disposed of.

Sustainability is considered in the design of the packaging materials that are used to transport the Company's mattresses. As the Company delivers its standard size mattresses vacuum-packed and rolled up in portable boxes (rather than using full-size mattress boxes), this reduces the amount of packaging that needs to be recycled and also means that many more packages can fit in one van, which benefits the Company both by reducing costs and by helping to reduce the Company's carbon emissions.

In this way, the Company seeks to minimise its packaging waste and, as is appropriate/relevant, complies with its producer responsibility obligations in relevant jurisdictions.

### **Growth strategy**

The Company's growth strategy is four-fold:

1. Increase penetration in existing territories;
2. Enter new territories;
3. Extend non-mattress product range; and
4. Develop retail partnerships.

Through successful implementation of the Company's growth strategy, the Directors' target in the medium term is to achieve a mid-high single digit EBIT margin, to be principally driven through decreasing customer acquisitions costs in the form of marketing (by around 50 per cent.), creating efficiencies which reduce the cost of sales and maintaining control of overheads.

### *Increasing penetration in existing territories*

The Company has achieved good progress across all of the markets in which it sells its products, including in the UK, where the Company has a first mover advantage, Germany, which is the largest mattress market in Western Europe and where the Company is building good momentum, and France, which has been the Company's most successful overseas market and where the Directors believe there is a compelling opportunity for the Company to take a leading market position.

In the short period since its launch, the Company has built strong momentum in growing brand awareness compared to some of its key online competitors in the UK market. eve's unprompted brand awareness amongst UK consumers rose from 1.4 per cent. in December 2016 to 3.6 per cent. in March 2017<sup>17</sup>. Nevertheless, the Directors believe that there is scope for the Company to further increase this percentage and, in light of the positive traction and clear results from the existing campaigns, this therefore presents the Company with an opportunity for increased growth and higher sales as brand awareness increases. The Director's believe the Company will achieve this growth strategy through a continuation of its established marketing techniques (as discussed previously), which have proven to be effective, as well as through product expansion and development of retail partnerships (both discussed below).

### *Enter new territories*

In November 2016, the Company launched websites in Italy, the Netherlands, Poland and Switzerland. In 2017, the Company launched in Sweden and Spain and expects to launch in Denmark, Norway and

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<sup>17</sup> Populus Omnibus Surveys 2 – 4 December 2016 and 17 – 26 March 2017.

Ireland shortly, thereby increasing its exposure to millions more consumers (including consumers in European countries where the Company has no local website and who therefore transact through websites in other locations).

Entering new territories carries with it a heightened level of execution risk, however the Directors believe that the Company now has a tried and tested blueprint for international expansion: through launching with a website; building online credibility through PR; launching digital marketing channels; and launching ATL channels within the first three to six months of expanding into a new territory. Where desirable, the Company also adapts its brand to suit the local culture in each new market including localising its website for each market.

The Directors consider that the simplicity of the Company's business model means that it can be scaled up to service new markets quickly and without the need for significant capital investment. The Company is able to sell into new markets, through rolling out products from its existing suppliers into new locations and by finding local logistics partners where required. The Company can therefore enter a new market without investing in technology or launching physical operations and without the need to manufacture products in-house or acquire infrastructure in that market. This means that resources which in a more traditional retail model would have been spent on operational expansion can be applied to the Company's advertising and marketing budget, which the Directors consider to be key to any launch.

#### *Product extension*

The Company's offering currently consists of eve-branded bedroom furniture including the memory foam mattress, pillows, topper, protector and the accompanying home textiles including eve-branded sheets and duvet. The Company proposes to launch additional sleep products throughout 2017, including a cot mattress (the "baby eve") and a bed frame. Beyond this, the vision is to create a 'one-stop-shop' for an 'all-in sleep package' which offers the essential items for a good night's sleep and a range of sleep accessories, such as eve-branded pyjamas (for which eve are in advanced discussions with Folk Clothing), as well as more traditional bedroom furniture including a bedside table. The Company is in the early stages of testing a spring mattress design.

#### *Develop retail partnerships*

In the UK, the Company currently benefits from partnerships with online retailers (including Amazon, Tesco and Wayfair) and offline partnerships (such as Debenhams, Fenwicks and Next). One of the components of the Company's current growth strategy is securing and developing these partnerships in core and new markets.

A key benefit of these partnerships is that it enables the Company to access additional marketplaces and therefore a larger number of consumers. Operating through the high street retailers enables the Company to reach consumers who prefer the benefits of the traditional model of buying products offline (e.g. testing the product before purchasing). A beneficial by-product of this is that the Company has seen a lower return rate for products which are bought through its offline partners rather than online, reducing the costs to the Company.

Another benefit of this model is that it creates further brand recognition in a low risk / low cost manner. The Company has found that partners are enthusiastic to work with eve as it allows them to improve their customer offering with the Company's cool, design-led products that would not otherwise be available to them, and as such improve their overall store proposition. The Company has found that certain retail partners, such as Debenhams, have taken a proactive strategy in promoting eve's products, such as placing them in its shop-window and in prominent locations within the mattress display area.

The Company is conscious about the potential risk of brand damage posed by selling through a third party. As such, the Company has taken steps to maintain control of its offline customer experiences. For instance, the concession stands are designed by the Company to a high quality which reflects the aesthetics of the website, and where possible they are staffed by Company employees. Although there is a different model for the Company's online partnerships (such as Amazon), in the offline partnership model eve aims to offer a similar customer journey to those who purchase products through eve directly as the products purchased through its offline partners continue to be supplied to the customer by the Company and the customers are able to benefit from the Company's terms (such as the 100 night trial period for its mattresses).

The Directors believe that these partnerships have had a positive impact on the business to date. The Company's first instore concession, negotiated at a competitive concession fee, was at Debenhams' Oxford Street store in London. From launch in this single store, the Company has processed the sale of almost 250 mattresses in less than seven months.

As a result of the performance in the Oxford Street store, the Directors have expanded into four further Debenhams stores in Newcastle, Manchester, Croydon and Plymouth and are hopeful that there will be an opportunity to increase the range of products offered in these partnership stores. In addition, the Company is currently trialling eve products in three Next stores in Bristol, Sheffield and Shoreham-by-Sea.

The Directors do not intend for partnership sales to exceed approximately 10 per cent. of overall sales and currently direct sales through these partnerships account for less than this. This will allow the Company and its customers to obtain the benefits of the partnership model without compromising the Company's direct to consumer online proposition.

### Summary financial information

The financial information set out below has been extracted or derived without material adjustment from the historical financial information on the Group for FY15 and FY16.

#### Summary P&L

<u>£m</u>	<u>FY15</u>	<u>FY16</u>
Revenue . . . . .	2.6	12.0
YoY growth . . . . .	n/a	355%
Gross profit . . . . .	1.3	5.8
% Revenue . . . . .	48.0%	48.6%
Operating expenditure . . . . .	2.8	17.2
% Revenue . . . . .	105.1%	143.3%
EBITDA <sup>(1)</sup> . . . . .	(1.5)	(11.3)
% Revenue . . . . .	(57.1)%	(95.0)%
YoY growth . . . . .	n/a	658%
Adjusted EBITDA <sup>(2)</sup> . . . . .	(1.5)	(10.7)
% Revenue . . . . .	(57.1)%	(89.6)%
YoY growth . . . . .	n/a	615%
EBIT <sup>(1)</sup> . . . . .	(1.5)	(11.3)

(1) FY15 EBIT and FY16 EBIT are equivalent to the operating loss presented in the historical financial information of £1,500,689 and £11,337,752 respectively. FY15 EBITDA is equivalent to FY15 EBIT as no depreciation nor amortisation was incurred in the year. FY16 EBITDA is FY16 EBIT excluding £2,647 of depreciation.

(2) Adjusted EBITDA excludes the impact of a provision for slow moving stock which the Group recognised in FY16 of £0.6 million (FY15: nil). This provision followed a detailed assessment of stock turnover on a SKU by SKU basis, which was part of a wider implementation of a more rigorous control environment in respect of inventory.

#### KPIs

	<u>FY15</u>	<u>FY16</u>
Number of orders . . . . .	6,814	32,007
Website traffic . . . . .	730,265	5,216,244
Conversion rates . . . . .	0.9%	0.6%
AOV . . . . .	£ 462	£ 445
CPA . . . . .	£ 176	£ 245

#### Trends

The Company's revenue increased from £2.6 million in FY15 to £12.0 million in FY16, principally as a result of successful expansion into, and subsequent growth in, international markets (Germany and the US in FY15 and France, Italy, the Netherlands, Poland and Switzerland in FY16). This has been supported by the introduction of TV investment in the UK, Germany and France. Sales growth has also been influenced by the Company beginning to sell mattresses via its retail partnerships, initially through online retailers (such as Amazon) and, more recently, concessions in retail outlets (including Debenhams).

The Company offers a 100 night return policy for its mattresses and therefore closely monitors and manages its returns rates. The average mattress returns rates for the Company was 15 per cent. in FY16 as the Company entered new European markets. The Company is targeting average returns rates of less than 15 per cent.

The Company generated pre-distribution gross margins of 48 per cent. in FY15 and 48.6 per cent. in FY16. Strong product margins at this level have enabled the business to continue to invest to support sales growth and build a strong brand.

EBITDA losses in FY16 totalled £11.3 million (£10.6 million loss on an adjusted basis) and reflected the Company's fast growth across Europe.

The operational key performance indicators regularly monitored by the Company include:

- Number of orders;
- Website traffic;
- Conversion rates;
- AOV; and
- CPA.

The number of online orders increased from approximately 6,800 in FY15 to approximately 32,000 in FY16, driven primarily by the high growth in traffic which increased from 0.7 million sessions (number of visits) in FY15 to 5.2 million in FY16.

From January to December 2016, UK conversion remained between approximately 0.66 per cent. and 1.30 per cent. Conversion rates are typically higher for performance marketing relative to ATL marketing, but the latter is important for long term brand building, which is central to the Company's business model.

AOV has been variable month on month, as the Company has introduced new products and launched in new territories. Typically a mattress has a higher price point than ancillary products (such as sheets and toppers), the introduction of which affects the trends on AOV. In the second half of FY16 the Company's AOV was approximately £423.

From FY15 to FY16, the Company's CPA increased from £176 to £245, driven by the introduction of major ATL campaigns, including TV. From a unit economics perspective, ATL campaigns are not as efficient as performance marketing but are an important component of brand building for the Company for the long term. CPA in the Company's most mature market, the UK, has seen an overall decrease over recent months, moving from approximately £350 in September 2016 (following a TV campaign) to approximately £250 in March 2017. Overall, the Directors expect marketing to continue to become more efficient, targeting a blended UK CPA of £100 in the medium term (although the Directors anticipate that UK CPA will fluctuate in the future at certain points in time as a result of the Company's TV campaigns).

### **Current trading and prospects**

The business has traded in line with the Board's expectations in the period since 31 December 2016. In the first three months of 2017, revenue growth has continued on a similar trajectory as achieved historically and gross margins have remained consistent.

In the first quarter of 2017, B2C revenue compared with the previous quarter increased in the UK and Germany and showed significant growth in France. In addition, across the rest of Europe B2C revenue generally increased from January to March 2017.

The Board expects the Company's strong overall performance in the European markets to continue as the eve brand continues to grow both in the UK and in international markets.

### **Dividend policy**

The Company is at a relatively early stage of operation and the Directors intend to re-invest the Company's earnings to facilitate plans for further growth. Accordingly, the Directors do not expect to declare any dividend in the short or medium term.

Declaration of dividends will, in any event, always be subject to all applicable legal and regulatory requirements and will be at the discretion of the Directors and the Board will not exercise such discretion where it is not commercially prudent to do so taking into account the policy set out above.

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

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

## **Regulatory and legal background**

The following is a summary of the legal and regulatory background in the Company's most established key markets. This summary is not a complete and exhaustive analysis of all regimes that may apply to the Company or its Group. For example, there are credit broking arrangements in France, Germany and the US which will be subject to the regimes in those jurisdictions, even if the Company does not require authorisation to carry out such activities in those jurisdictions.

### *UK financial services law and regulation*

The Company is authorised and regulated by the FCA as a 'limited permission' credit broker.

The Company's main business is the sale of goods and non-financial services and it is therefore regulated by the FCA within its "limited permission" regime for certain consumer credit firms.

The UK regulated activity carried on by the Company is its introductions of its customers to a third party lender, with a view to that third party lender entering into a credit agreement with the customer to finance the purchase of the Company's products. The Company must therefore comply with provisions of the FCA's sourcebook for consumer credit firms "CONC" in respect of this introduction. These rules are detailed and prescriptive in some areas, for example they require the Company to take reasonable steps to satisfy itself that a product it wishes to recommend to a customer is not unsuitable for the customer's needs and circumstances; and to bring to the attention of a customer how it uses the customer's personal data.

Separately, the Company must comply with the requirements of other sourcebooks within the FCA Handbook relating to matters such as the organisation of the Company, and its corporate governance, and the maintenance of effective systems and controls to monitor and manage the risks which it faces.

The FCA took over responsibility for consumer credit (including credit broking) on 1 April 2014. Since then, it has undertaken a range of thematic work as it seeks to understand the nature of the market, and to identify sources of possible customer detriment. The FCA has focused a substantial amount of attention on elements within the credit broking sector, and utilised an exceptional power to introduce rules restricting certain practices, without prior consultation. The Company recently became aware that it had breached certain rules and guidance of the FCA and, as such, has taken remedial action in order to comply the applicable rules and guidance. For more information, please see the section entitled "*The Company is at an early stage of development and the Company may not be able to successfully implement its expansion strategy*" in Part II of this document.

The FCA may continue to broaden its focus to other firms who operate as credit brokers, such as the Company. The type of credit broking carried on by the Company is considered by the FCA to present a lower risk, in regulatory terms.

### *Consumer law*

As a consumer retail business, the Company is subject to legislation which protects the rights of the consumer. The Company trades in various EU jurisdictions and, through its US subsidiary, in the US and must comply with the consumer legislation of each jurisdiction when trading with consumers from that jurisdiction. EU-wide consumer legislation sets minimum and sometimes maximum standards that EU member countries must apply in their national consumer legislation, providing a degree of harmonisation to consumer legislation across the EU. This EU-wide consumer legislation covers the breadth of a business's transaction with consumers, from prohibiting misleading and commercial practices in marketing to stipulating rights if goods are defective. Jurisdictions outside the EU (including the US) may have significantly different regulations regarding consumer rights. In the UK, the EU-wide consumer legislation is implemented by various statutory instruments, including:

- a) the Consumer Protection from Unfair Regulations 2008, which implement the Unfair Commercial Practices Directive (2005/29/EC) and prohibit misleading and aggressive sales practices across the breadth of a business's transaction with consumers, including with respect to marketing;
- b) the Consumer Rights Act 2015, which implements the Unfair Contract Terms Directive (93/13/EEC), parts of the Consumer Rights Directive (2011/83/EU) and the Sales and Guarantees Directive (1999/44/EC), and sets out the rights consumers have in respect contracts for goods and services and what constitutes unfair terms in a consumer contract; and
- c) the Consumer Contracts (Information, Cancellation and Additional Charges) Regulations 2013, which implement most of the Consumer Rights Directive (2011/83/EU) and set out what pre-contract information the Company must provide to consumers for on-premises, off-premises and, of most relevance to the Company, online contracts, and provide for consumers' rights to cancel their contracts because they have changed their minds.

With respect to advertising and marketing in the UK, the Company must also comply with the following self-regulatory codes enforced by the Advertising Standards Agency (**ASA**):

- a) the Broadcast Advertising Code (the **BCAP Code**), produced by the Broadcast Committee of Advertising Practice, which provides that broadcast adverts must be legal, decent, honest and truthful and not mislead, cause harm or serious or widespread offence; and
- b) the UK Code of non-broadcast Advertising, Sales Promotion and Direct Marketing (the **CAP Code**), which provides that non-broadcast adverts should be legal, decent, honest and truthful, be prepared with a sense of responsibility to consumers and society and respect the principles of fair competition generally accepted in business.

If the ASA finds that an advertisement breaches the BCAP Code or CAP Code it cannot levy fines but may impose a number of other sanctions, including publishing the adverse ruling on its website, withdrawing trading privileges or referring the matter to the Trading Standards Services or Ofcom.

Regarding any personal data of its customers that the Company processes, the Company must comply with data protection legislation. As the Company is established in the UK, UK data protection legislation is most likely to apply. To the extent that the Company has or implements any real or effective activity - even minimal - exercised through stable arrangements in another EU jurisdiction, the data protection legislation of that jurisdiction will also apply. At the EU level, data protection is governed by EU Directive 95/46/EEC on the protection of individuals with regard to the processing of personal data and on the free movement of such data. This is implemented by each EU jurisdiction into its national law and provides a degree of discretion as to how it is implemented and how unclear provisions are interpreted and clarified. In the UK it is implemented by the Data Protection Act 1998 (the **DPA**) and accompanying secondary legislation. The DPA places all the obligation on the Company, as data controller of its customers' and employees' personal data, with respect to the processing of such data and includes restrictions on transferring personal data outside the EEA. Breach of the DPA can result in criminal as well civil liability. On 25 May 2018 the General Data Protection Regulation (**GDPR**) will come into force and will apply directly to the legislation of EU member states. The GDPR will impose more stringent data protection standards than are currently in force and will introduce significantly higher fines for breaches of data protection obligations. US privacy and cybersecurity legislation and regulations will apply to personal data processed by the Company's US subsidiary.

#### *Environment, health and safety*

As a designer and retailer of consumer products, the Company's business and operations are subject to laws and regulations on general consumer protection, product liability and product safety. Compliance with all applicable laws and regulations is monitored by governmental and regulatory authorities and the principal objective of such regulations is to ensure that all consumer products placed on the market are safe for their intended use and present a minimal risk to the user, are duly labelled, with appropriate safety and product warning.

There are sector specific laws which apply to the Company's product range. For example in the UK, the Furniture and Furnishings (Fire Safety) Regulations 1988 (amended 1989, 1993 and 2010) apply and are designed to ensure that upholstery components and composites used for furniture supplied in the UK meet specified ignition resistance levels and are suitably labelled. For mattresses, pillows, and mattress pads (toppers) the regulations apply to the filling materials only. Standards may vary from jurisdiction to jurisdiction.



The Company seeks to comply with the relevant British standards which are applicable to the structural testing of mattresses, and other products in the Company's product range. The Company is classified as an obligated packaging producer pursuant to the Producer Responsibility Obligations (Packaging Waste) Regulations 2007 by virtue of the volume of packaging waste now produced by its activities in the UK. The Company has elected to join a packaging producer compliance scheme to discharge its responsibilities for compliance with these regulations in the UK.

## **DIRECTORS, SENIOR MANAGEMENT AND CORPORATE GOVERNANCE**

### **Directors**

Brief biographies of the Directors are set out below. Paragraphs 5.3 to 5.5 and paragraph 6 of Part VI of this document contains further details of current and past directorships and certain other important information regarding the Directors.

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

Paul joined Capita plc in 1987, initially as Finance Director, then Managing Director in 1991 and Chief Executive in 1999. He was the third-longest serving FTSE 100 CEO when he stood down in 2014. He joined Capita after advising on the £330,000 management buyout (MBO) while working for 3i Group plc. When he joined Capita, it had 33 employees and annual revenue of £1.3 million. When he left the business in February 2014, Capita had more than 62,000 employees and a market capitalisation of £7.5 billion.

Since June 2014, Paul has served as Chairman of Independent Clinical Services following its acquisition by TowerBrook.

Paul was an early investor in Purplebricks Group plc and has been the Non-Executive Chairman since the company's listing in December 2015.

Paul was also an early investor in eve.

#### **Founder & Chief Executive Officer — Jas Bagniewski**

Jas co-founded eve alongside his cousin Kuba Wieczorek and James Fryer on the principle that the existing sleep product market could be radically modernised in order to offer consumers an easier, quicker and cheaper method for purchasing sleep products without needing to compromise on customer satisfaction. From 2011 to 2016, Jas was CEO of Zen Bedrooms, a D2C mattress company. Prior to this Jas worked at Rocket Internet as a Country Manager of various start-ups including Zalando and Groupon. Jas started his career as a consultant at Accenture.

#### **Chief Financial Officer — Abid Ismail**

Abid joined eve in 2016 from Capita plc, having been Chief Financial Officer and then Chief Executive Officer of AXELOS Ltd — a joint venture between Capita and the UK government. Prior to this Abid held senior positions within the Capita group as well as Ernst & Young's M&A team. Abid is a Chartered Accountant.

#### **Senior Independent Non-Executive Director — Peter Hepworth**

Peter joined eve in April 2017. Peter is currently Executive Officer of the Professional Services Division of Capita plc, as well as Chairman and CEO of AXELOS Ltd. — a joint venture between Capita and the UK government having set up AXELOS as founder CEO. Prior to AXELOS, Peter held a number of positions at Activision Blizzard, one of the world's leading interactive entertainment companies, including being Managing Director of UK & Ireland. Prior to Activision, Peter worked in senior finance, sales and marketing positions in France and the UK at L'Oreal and Sara Lee Corporation. Peter is a Chartered Accountant.

#### **Independent Non-Executive Director — Thomas Enraght-Moony**

Tom joined eve in April 2017. Tom was most recently CEO of Leisure Pass Group ("LPG"), a private equity owned leisure business. Prior to LPG Tom spent over 15 years leading brand transformation and growth for tech-enabled consumer businesses including Kano Computing, Match.com, E\*TRADE, AT&T Wireless and Clearwire.

He holds an undergraduate degree from The University of Glasgow and an MBA from INSEAD in France.

### **Senior management**

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

#### **Chief Brand Officer — Kuba Wieczorek**

Kuba is one of the founders of eve. Prior to eve, Kuba built a successful career in advertising. From 2011 – 2014, Kuba worked at Channel 4. In this time he oversaw the acclaimed ‘superhumans’ 2012 London Paralympics advertising campaign, following which he was promoted to Business Director of Channel 4 Creative. Prior to Channel 4 Kuba worked at various advertising agencies including WCRS, Fallon, McCann Erickson and JKR Design Agency overseeing high profile accounts including Kraft, Unilever, BT, BBC and Sony Bravia. Kuba also has his own photography agency ‘Kuba Photography’.

#### **Chief Operating Officer — Felix Lobkowicz**

Felix joined eve in 2015. Prior to eve, Felix was co-founder and CEO of Zesox GmbH, an online fishing tackle company. Prior to this, Felix worked at Rocket Internet GmbH, initially as Entrepreneur in Residence before being promoted to Vice President.

Since incorporation, the Company has significantly strengthened its senior management team, employing a group of high calibre senior managers who have significant e-commerce, marketing, design and finance experience from companies including Amazon, Airbnb, Made.com and KPMG.

### **Corporate governance**

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

The Board has established the Audit Committee, the Remuneration Committee and the Nomination Committee.

The Audit Committee will be chaired by Peter Hepworth. Its other members will be Paul Pindar and Thomas Enraght-Moony. The Audit Committee will have primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Company is properly measured and reported on. It will receive and review reports from the Company’s management and auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Company. The Audit Committee will meet at least three times a year and will have unrestricted access to the Company’s auditors.

The Remuneration Committee will be chaired by Paul Pindar. Its other members will be Peter Hepworth and Thomas Enraght-Moony. The Remuneration Committee will review the performance of the Executive Directors and make recommendations to the Board on matters relating to their remuneration and terms of employment. The Remuneration Committee will also make recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time. The remuneration and terms and conditions of appointment of the Non-Executive Directors will be set by the Board.

The Nomination Committee will be chaired by Thomas Enraght-Moony. Its other members will be Paul Pindar and Peter Hepworth. The Nomination Committee will assist the Board in discharging its responsibilities relating to the composition of the Board, performance of Board members, induction of new directors, appointment of committee members and succession planning for senior management. The Nomination Committee is responsible for evaluating the balance of skills, knowledge, diversity and experience on the Board, the size, structure and composition of the Board, retirements and appointments of additional and replacement directors and makes appropriate recommendations to the Board on such matters. The Nomination Committee prepares a description of the role and capabilities

required for a particular appointment. The Nomination Committee will meet formally at least twice a year and otherwise as required.

### **Share dealing code**

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

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

The Company is proposing to issue 34,587,411 new Ordinary Shares pursuant to the Placing.

The Directors believe that Admission will:

1. provide an appropriate platform, and facilitate the Company's ambitions, for its continued growth, allowing the Company to scale more quickly;
2. further raise the Company's profile, status and brand awareness amongst consumers and investors;
3. increase its appeal to a broader range of investors; and
4. develop the Company's corporate governance, regulatory and reporting disciplines.

The net proceeds of the Placing will be applied to the Company's advertising and marketing strategy and will be used as general working capital to support and implement the Company's growth strategy.

In relation to the Placing, the Company, the Directors, the Senior Managers and Peel Hunt have entered into the Placing Agreement. Pursuant to the Placing Agreement and subject to certain conditions, Peel Hunt has conditionally agreed to use its reasonable endeavours to procure places for the Placing Shares to be issued under the Placing. Following Admission, the Placing Shares will represent approximately 25.0 per cent. of the Enlarged Ordinary Share Capital. The Directors, the Senior Managers and certain other Shareholders have agreed to certain lock-in arrangements pursuant to the Placing Agreement or the Lock-in Deeds (as the case may be), details of which are contained in the paragraph "Lock-in arrangements" below.

The Placing will raise approximately £34.9 million (before expenses) for the Company.

The Placing Agreement is conditional, *inter alia*, upon Admission having become effective by not later than 8.00 a.m. on 18 May 2017 or such later time and date, being not later than 8.30 a.m. on 1 June 2017, as the Company and Peel Hunt shall agree.

Further details of the Placing Agreement are set out in paragraph 9.1 of Part VI of this document and the terms and conditions of the Placing are set out in Part V of this document.

Further details of the Lock-in Deeds are set out in paragraph 10 of Part VI of this document.

### **Lock-in arrangements**

Pursuant to the Placing Agreement, the Directors and the Senior Managers (together interested in 35,919,933 Ordinary Shares at Admission, representing 26.0 per cent. of the Enlarged Ordinary Share Capital) have undertaken to the Company and Peel Hunt that, subject to certain limited exceptions (including transfers to connected persons and disposals by way of acceptance of a recommended offer of the entire issued share capital of the Company) they will not (and will procure that their connected persons will not) dispose of any Ordinary Shares or interest in Ordinary Shares or any rights relating to such Ordinary Shares (the **Restricted Interests**) at any time from Admission until the expiry of 12 months from Admission (the **Lock-in Period**) without the prior written consent of Peel Hunt. Furthermore, each of the Directors and the Senior Managers has also undertaken to the Company and to Peel Hunt not to dispose of the Restricted Interests for the period of 12 months following the expiry of the Lock-in Period other than through Peel Hunt or the Company's broker from time to time with a view to maintaining an orderly market in the Ordinary Shares.

Pursuant to the Lock-in Deeds, certain other Shareholders (being 4 Ventures Limited, DN Capital, Octopus, Fabrice Grinda and Jose Marin) who each hold more than one per cent. of the issued share

capital of the Company at Admission (such Shareholders together holding 45,668,270 Ordinary Shares at Admission, representing 33.0 per cent. of the Enlarged Ordinary Share Capital) have given similar undertakings save that such Shareholders are subject to a lock-in period of six months from the date of Admission. Thereafter, and for a further period of six months, those Shareholders have undertaken not to dispose of their Restricted Interests otherwise than through Peel Hunt or the Company's broker from time to time with a view to maintaining an orderly market in the Ordinary Shares.

### **Share incentive arrangements**

The Directors believe that the success of the Company will depend to a significant degree on the future performance of the Company's senior management team and therefore that it is important to ensure that the members of the senior management team are well motivated and identify closely with the success of the Company.

The Company adopted new share incentive arrangements on 12 May 2017 that provide the Directors with the authority to grant options over Ordinary Shares (excluding any Ordinary Shares under options which were capable of exercise prior to Admission) that represent in aggregate up to 10 per cent. of the issued share capital of the Company immediately following Admission.

On 12 May 2017, the Company granted option grants over a total of 3,214,529 Ordinary Shares under the New Share Option Plan. These options have an exercise price equal to the Placing Price, are subject to an exercise condition that they cannot, subject to certain exceptions, be exercised prior to the third anniversary of Admission and, to the extent possible, are EMI options. If Admission has not occurred by 31 July 2017, these options will lapse.

Further details of the New Share Option Plan are set out in paragraph 7 of Part VI of this document.

Details of the share incentive arrangements in force prior to 12 May 2017 are set out in paragraph 7 of Part VI of this document.

### **City Code**

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

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

Similarly, when any person, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of such a company but does not hold shares carrying more than 50 per cent. of such voting rights, a general offer will normally be required if any further interests in shares are acquired by any such person which increases the percentage of shares carrying voting rights in which he is interested.

An offer under Rule 9 must be in cash or be accompanied by a cash alternative and at the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in shares of a company during the 12 months prior to the announcement of the offer. Under the City Code, a concert party arises where persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control (as defined below) of a company or to frustrate the successful outcome of an offer for a company. Control means an interest or interests in shares carrying in aggregate 30 per cent. or more of the voting rights of a company, irrespective of whether such interest or interests give de facto control.

### **Taxation**

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

### **Admission, settlement and dealings**

Application has been made to the London Stock Exchange for all of the Enlarged Ordinary Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence on the London Stock Exchange at 8.00 a.m. on 18 May 2017.

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

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

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

### **Further information**

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

## **PART II RISK FACTORS**

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

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

### **Risks relating to the Company, its business and the market in which it operates**

#### ***The Company operates in the highly competitive mattress and wider sleep market and may not be able to grow, or maintain, its existing market share***

Participants in the sleep products market compete on price, quality, brand recognition, product availability and product performance. The highly competitive nature of this market means that the Company is continually subject to the risk of (a) loss of (or failure to increase) market share, (b) reductions in margins and (c) the inability to secure new customers.

New product lines, new technology and/or innovation design, changing commercial circumstances and new entrants to the market in which the Company operates may impinge on the Company's business. The inability of the Company to launch new products before its competitors (for example, due to development delays) may mean that the profitability of such new products is less than that projected. In addition, the market acceptance of new products may be lower than anticipated and some product development may be discontinued prior to launch or may fail which could adversely affect revenues and profitability.

A number of competitors offer sleep products that compete directly with the Company's products. Competition from established or new market entrants (particularly those who have an online direct-to-consumer model for mattresses) may impact the Company's sales of its products, damage the Company's reputation and brand awareness, any of which may have a material adverse effect on the Company's business, prospects, financial condition and results of operations and inhibit the successful implementation of its strategy.

#### ***The Company operates a market-disrupting business model***

The mattress market is in the early stages of transitioning online. The Company may be regarded as a brand disrupter in the mattress market which may create heightened attention from the public, the media and its competitors (including complaints to regulatory agencies, negative media and social media coverage and malicious reports). Resistance from traditional industry participants has been seen in other industries that are experiencing rapid transitions in business models. Such attention and resistance may create a greater risk challenge to, or investigation of, the Company's compliance with applicable laws, regulations, rules and industry and other applicable standards and codes of conduct than there would be with a more traditional business model. There is no assurance that the Company would not become a target for public scrutiny in the future or that such scrutiny and public exposure would not severely damage the Company's reputation and/or materially and adversely affect its business and prospects.

***The Company is reliant on the success of its brand and it is subject to reputational harm that could damage its brand***

The Company's success relies significantly on the strength of its brand. The Company's brand is relatively new, and there can be no assurance that the Company will be able to continue to successfully develop its brand's awareness in order to increase its market share. The Directors' aim is that the Company's brand is closely associated with great design and what it considers to be the Company's values: optimism, energy and simplicity.

The Company could be damaged by reputational harm if it fails to address actual or perceived issues with its product (including product quality, value for money, comfort, safety, aesthetics and environmental concerns), its website, the effectiveness of its logistics operations and customer service, experiences and reviews. In addition, the Company is exposed to risks which could undermine the strength of the Company's brand and its reputation and goodwill, such as negative news coverage, customer ratings and reviews (including adverse social media commentary), poor quality control, operational failures and customer service.

The Company may be subject to litigation, disputes, claims and complaints, including adversarial actions, by customers, employees, suppliers, insurers and others in the ordinary course of business. Significant claims or a substantial number of small claims may be expensive to defend, may divert the time and focus of management away from the Company's operations and may result in the Company having to pay monetary judgments, any of which could have a material adverse effect on the Company's results of operations and financial condition. In addition, adverse publicity or a substantial judgment against the Company related to litigation could negatively impact its reputation, even if the Company is not found liable. An inability to manage risks relating to its brand for any reason could have a material adverse effect on the Company's reputation, business, prospects, financial condition and results of operations.

***The Company has a limited financial history and revenue and lack of profitability***

The Company has a limited historical financial track record having generated revenue of £2.6 million in FY15 (the Company's first financial period of operation) and £12.0 million in FY16 and having not yet reached profitability. There can be no assurance that the Company will be able to achieve or sustain further revenue growth and achieve or sustain profitability in the future. If the Company is unable to achieve or sustain profitability, the business could be severely harmed. Further, the Company's operating results may fluctuate as a result of a number of factors, many of which are beyond its control. If the Company does not achieve revenue growth and/or profitability, it may require additional financing, which may not be available.

***The Company operates in a rapidly changing industry and may fail to adapt to changes in the industry***

The e-commerce and m-commerce industries are characterised by rapidly changing technology, evolving laws, regulations, rules and industry and other applicable standards and codes of conduct, new service and product introductions and changing customer demands.

An inability of the Company to respond to technological advances on a cost-effective and timely basis, may impede its ability to establish or maintain a competitive advantage. There are constant developments in internet searching, online marketing, communications, social networking and other services to enhance the online experience of the consumer and the devices on which that online experience is available. Significant investment in infrastructure, research and development and other areas is required in order to enhance the Company's platform technology. Technological advances may require the Company to re-evaluate its business model and adopt significant changes to its strategy and business plan. Failure to innovate and adapt to changes in the online market would have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

The application or modification of existing laws or regulations, or adoption of new laws and regulations (including those relating to the internet, e-commerce, online operations and protection of consumers online) could adversely affect the manner in which the Company currently conducts its business. The growth and development of the market for online retail may lead to more stringent customer protection laws which may impose additional burdens on the Company and increase its business costs, all of

which may have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

The Company is or will be subject to laws and regulation and supervision by regulators in a number of countries within Europe as well as in the US. Regulators can typically conduct industry-wide investigations into the business of firms supervised by that regulator. Such investigations can follow adverse publicity in respect of another participant in the same industry as the Company and might not necessarily result from any action or omission by the Company. A regulator may determine that the Company has failed to comply with applicable laws, regulations, rules and industry and other applicable standards and codes of conduct or that it has applied such laws, regulations, rules and industry and other applicable standards and codes of conduct to its business model in a manner with which a regulator disagrees. The impact of the Company being found to be non-compliant in any such inquiry and/or investigation is difficult to assess or quantify and would depend on which regulatory regime was involved and the disciplinary/enforcement powers of the regulator responsible for the supervision of that particular business. Such inquiries or investigations could result in adverse publicity for, or negative perceptions being created regarding, the Company and affect the Company's relationships with regulators and its reputation with customers and suppliers, as well as diverting management's attention. Such action could also subject the Company to additional remediation costs to redress non-compliance, which in turn could have a material adverse effect the Company's business, prospects, financial condition and results of operations.

***The Company is at an early stage of development and the Company may not be able to successfully implement its expansion strategy***

There is no guarantee that the Company will continue to be successful in its growth strategies and initiatives in the markets in which it currently sells its products or in the markets into which the Company intends to expand. The Company's ability to generate sales growth is dependent upon a number of factors, including its ability to: increase penetration in existing and target markets through effective marketing strategies, product recognition and brand awareness; successfully design, launch and develop future products to extend its product range; and secure and maintain relationships with key partners in its core European markets.

Expanding the Company's sales and operations into other countries may subject the Company or the sale of its products to different laws, regulations, rules and industry and other applicable standards and codes of conduct, which may limit the Company's ability to establish operations in other markets or create additional compliance burdens or costs which the Company has not anticipated.

In addition to different regulatory requirements, expansion into markets outside those in which the Company is currently operating exposes the Company to a variety of risks, including complications with staffing and managing foreign operations (if the Company sets up operations in any other jurisdictions), variations in consumer behaviour, fluctuations in currency exchange rates, potential political and economic instability, potential difficulties in enforcing contracts and intellectual property rights, the potential for higher rates of fraud and adverse tax consequences. In addition, the Company may be unable to foster and maintain its culture in connection with any expansion of its operations into other markets.

The Company's estimates of the potential future traffic and conversion rates in the various geographic markets are based on a variety of assumptions which may prove to be inaccurate and such projections may overestimate the potential of the geographic markets. The development of such markets is subject to political, social, regulatory and economic forces beyond the Company's control and there is a risk that the Company may not be able to access markets outside the United Kingdom as effectively as anticipated, or at all. The Company may not be able to anticipate the full impact of the differences between a new geographic market and the United Kingdom and this may have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

Further, the Company may be unable to achieve further expansion, or any related milestones, in accordance with its proposed timeline for doing so. Any delay in achieving such targets may impact on the success of the proposed launch into additional markets. Furthermore, any such expansion of the Company's business in existing or new markets that is not favourably received by consumers could damage the Company's reputation and brand.



The European sleep market is competitive and the Company will face competition in this market from other parties operating in such markets, including those parties who have larger capacity and scale than the Company and those who already have an established presence and/or reputation in those or other markets, as well from as new market entrants. The Company's business model relies on marketing and having sufficient resources to market its products. Competitors who have greater resources than the Company may be more successful in marketing their products, which may impact on the Company's ability to create or grow a market share.

The Company's anticipated expansion strategy may place significant demands on its management, administrative, operational, IT, financial, personnel and other resources. The Company will need to continue to maintain, develop and integrate its management, administrative, operational, financial and accounting systems, internal controls and supervisory procedures. As the Company's operations continue to expand, it may also be required to incur further expenditure and effort to invest in its IT systems and infrastructure and to recruit additional personnel. The Company may experience constraints in its ability to expand, such as being required to comply with additional legal or regulatory restrictions in its existing and target markets. There is no assurance that the Company will be successful in implementing its strategy and a lack of market acceptance of such efforts or the Company's inability to generate satisfactory revenue to offset its expansion costs could have a material adverse effect on the business, financial condition and results of operations.

The Company's governance processes and internal systems and controls may not have been sufficient to keep up with its rapid growth and expansion in its operations, including in terms of the markets in which it sells its products. The Company, which is authorised by the FCA to carry out credit broking, recently became aware that it had breached the rules and guidance of the FCA as it did not have appropriate policies, procedures and monitoring programmes in place to achieve compliance with them. The Company has taken remedial action and the Directors believe that the Company is now in compliance with applicable rules and guidance of the FCA. There remains a risk that the Company is not fully compliant with all applicable rules and guidance. In accordance with separate FCA rules, the Company has reported its historic breaches to the regulator. Any action taken by the FCA against the Company for breaches of applicable rules may have an adverse effect on the Company's business (including its profitability, through the potential imposition of fines, and on the ability of its approved person to carry out his current role) and on its reputation. The FCA has taken significant interest in the credit broking sector since acquiring regulatory responsibility on 1 April 2014. There is a risk that the FCA's rules in this areas become more prescriptive, and this could result in increased compliance costs for the Company.

***Advertising expenditure may not result in increased sales or generate the anticipated sales volume and brand awareness***

A significant component of the Company's marketing strategy involves the use of direct marketing to generate brand awareness and sales. Future growth and profitability may depend on the Company creating greater awareness of the brand name and to generate the required level of interest in the Company's product range whilst balancing the cost of running advertising campaigns. The Company intends to continue investing in marketing and partnership channels to grow its business. Successful growth may require the establishment of additional sales and marketing channels. Penetration of new markets can be slow, and subject to delays, and ultimately may not be successful. The Company is likely to incur significant costs in these areas in advance of the point at which the anticipated benefits materialise. In addition, the return on these investments may be lower or develop more slowly than expected and there can be no guarantee that the Company will be able to increase its sales and market share, which in turn could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

***The Company relies on manufacturers and third-party delivery companies***

The supply of product to customers in a timely manner is critical to the success of the Company. There can be no assurance that manufacturers and delivery companies will be able to meet the Company's requirements on a timely or cost-effective basis.

The Company is reliant on third party manufacturers for the production of all of its products and is particularly reliant on Duflex for the supply of mattresses in the UK. In order to manage its quality control standards, the Company and the Company's warehouse partners perform spot checks on the products that its manufacturers produce prior to the products leaving the depot. However, there is an

inherent risk that such procedures will not pick up all manufacturing defects in every product which in turn could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

In the event of a particularly high demand for the Company's products or an issue with a manufacturer (whether due to a disagreement between the Company and the manufacturer, a problem with the manufacturer's ability to supply products or otherwise), the Company would need to engage one or more alternative suppliers, which it may be unable to do on similar terms, if at all. Further, the alternative supplier may be unable to satisfy the full amount on the Company's demand on short notice, which in turn may impact on the Company's ability to satisfy its orders from customers and may damage the Company's reputation as well as its profitability.

Interruptions to or failures in the logistics platform or delivery services may be due to events that are beyond the control of the Company, the manufacturers and delivery companies (for example, natural disasters, transportation disruptions or labour unrest). Sourcing alternative logistics and delivery companies may not be possible or may result in delays and an unreliable service. The Company's products are also at risk of being damaged during transit. Such logistical delays or failures in the delivery process may have a material adverse effect on the Company's reputation, business, prospects, financial condition and results of operations.

In addition, some of the Company's products are manufactured in markets outside the United Kingdom. There are a variety of risks generally associated with doing business in foreign markets, including risks relating to labour practices, heightened anti-bribery and corruption concerns, quality assurance concerns, environmental risks, risks of transportation of product by sea and imposition of taxes. Any of these risks could restrict the availability of product and/or increase the costs of the Company's products and/or change consumers' perceptions about the quality of its product and could have a material and adverse effect on the Company's reputation, business, prospects, financial condition and results of operations.

***The Company is subject to fluctuations in the cost of materials which may adversely impact on the Company's profit margins***

The price and availability of materials that are sourced by the Company's manufacturers for the Company's products are subject to market conditions affecting supply and demand. An increase in the cost of materials results in an increase in the price at which the manufacturers provide products to the Company, pursuant to the terms on which the Company conducts business with its manufacturers. Given the significance of the cost of these materials to the Company's products, volatility in the prices of the underlying commodities may ultimately affect profitability. The Company's manufacturers may also be unable to obtain materials from their normal course suppliers which may affect the terms on which the manufacturers are able to source materials and, in turn, the terms on which they are willing to supply products to the Company (if at all). To the extent the Company is unable to absorb higher costs, or pass any such higher costs to its customers, its gross margin could be negatively affected, which could result in a decrease in the Company's liquidity and profitability. Further, if the Company's manufacturers are unable to obtain such materials from alternative suppliers or if there is any disruption in supply for any other reason, the manufacturers' ability to produce, and the Company's ability to acquire and deliver, its products in accordance with its agreed times for delivery would be adversely impacted, which may damage the Company's reputation as well as its profitability.

***The Company's collaboration with partners in core markets may not achieve expected results and the Company's reputation may be adversely impacted***

The Company currently has relationships with Debenhams, Fenwick and Next as well as online partnerships with Amazon, Tesco and Wayfair. There is no guarantee that the Company will be able to maintain a cost-effective relationship with its partners or that the partnerships will meet the projected sales growth. The Company's partners could terminate their relationship with the Company and enter into agreements with the Company's competitors, which may have a material adverse effect on the Company's reputation, business, prospects, financial condition and results of operations.

In addition, there are certain disadvantages for consumers when buying through the Company's partners. For example, when consumers purchase through Amazon they are not eligible for the Company's 100 night mattress trial as all Amazon orders have to follow their 30-day return policy.

Consumers contract directly with Amazon and would therefore need to contact Amazon directly for all after care regarding the Company's products, rather than the Company.

In certain markets, the Company's partners acquire the products from the Company and sell them direct to consumers. The Company is reliant on its partners to sell the products in suitable condition and to ship and deliver them in a timely fashion. While the Company is unlikely to have any direct liability to the customers who purchase its products through a partner in circumstances where, for example, a product is damaged on delivery or arrives late, any such event occurring may have a negative impact on the Company's reputation and its brand and any allegation that the Company was liable may require time and resources to defend.

***The Company may be required to repair, replace or provide a refund for faulty products***

The sale of the Company's products in the United Kingdom to consumers is subject to the Consumer Rights Act 2015 (the **CRA**) and other consumer rights legislation. The CRA implies terms into any contract for the sale of products with a customer that such products will be of satisfactory quality, fit for purpose and as described. If products do not meet these standards (**Faulty Products**) customers may reject such Faulty Products within 30 days and receive a refund, or request that they are repaired or replaced. If, following the repair or replacement the product is still a Faulty Product, or repair or replacement is impossible, the customer is entitled to a price reduction or to final rejection of the goods and a refund (which may be reduced by a deduction for use). Any claims that a customer may have against the manufacturer of the product or under a contractual warranty are in addition to these remedies under the CRA. The sale of the Company's products in other countries within the EU to consumers is or will be subject to consumers rights which are broadly equivalent to those which exist in the United Kingdom. Sale of products by the Company's US subsidiary will be subject to US consumer legislation. Although certain terms are implied into contracts for the sale of products in the US, unlike in the EU these implied terms may be excluded. To the extent the Company sells Faulty Products, the Company may incur significant additional costs in resolving such complaints and claims and may suffer reputational damage which could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

***The Company may face exposure to product liability claims***

Quality is critical to the Company's business model. The Company is subject to an inherent business risk of exposure to product liability claims if the use of any products result in personal injury or property damage. Furthermore, differences between regulation in the Company's geographical markets may have the effect that a product which is compliant in one jurisdiction may be non-compliant in another. This may therefore result in the Company needing to take steps to re-design products or tailor products to specific regulatory requirements. The requirements surrounding the composition of the material for mattresses sold in Germany, for example, are different when compared to the UK. Defective or non-compliant products may need to be recalled, re-designed or discontinued and may impact profitability, cause significant adverse publicity and reduce consumer confidence (and therefore sales) in the Company's products.

Insurance coverage mitigating the risk of loss resulting from product liability claims may incur significant costs and may not be adequate to cover the liabilities actually incurred and therefore may affect the Company's profitability.

Even if an event causing a product recall proves to be unfounded or if a product liability claim against the Company is unsuccessful or is not fully pursued, the negative publicity surrounding any assertion that the products sold by the Company caused injury or damage, or any product recall or allegation that the products sold by the Company were defective, could adversely affect both the Company's reputation with existing and potential new customers and its corporate and brand image. Any such event could, therefore, have a material adverse effect on the Company's reputation, business, prospects, financial condition and results of operations.

***A material increase in product return rates or an inadequacy in the Company's warranty reserves or protection could reduce profitability***

The Company offers a 100 night trial for its mattress and a material increase in product return rates (for example, due to an unforeseen event or a downturn in general economic conditions) could significantly impair profitability. In addition, an increase in return rates could place additional strain on

the Company's logistics and returns operations which could lead to damage to the Company's brand and reputation.

Any defects in the manufacture of the Company's products may result in an increased number of warranty claims which may impair profitability. If the warranty claims are more than expected, the warranty reserves may not be sufficient to cover all the claims which may have a material adverse effect on the Company's profitability. The Company obtains warranties from its suppliers to whom the Company would seek to pass on any liability for defects in manufacture of the Company's products. However, some warranties are provided on different terms to those which the Company provides to its customers (for example, the warranty given by the Company to its customers is significantly longer in duration than the warranties that the Company currently receives) and the Company would remain liable to the extent that the warranty provided to its customers is more favourable (in length or for any other reason). Further, the Company may be unsuccessful in pursuing a warranty claim against a supplier after it has satisfied a warranty claim from a customer or in circumstances where the Company chooses to satisfy a warranty claim from a customer to protect its reputation.

***The Company is required to comply with environmental, product safety and health and safety laws and regulations***

Sustainability and product safety issues are likely to be of continuing importance to governments, regulators and other interested or influential bodies. There may be changes to existing legislation or regulation or the introduction of new legislation, regulation or government policies or practice, which could adversely affect the Company's operations and conduct of its business. In addition, there will be increased regulatory risks/more stringent standards that will apply to the Company as a result of the Company offering children's products (such as the "baby eve" mattress). If additional legal and regulatory requirements become applicable to the Company's existing and new products in this area, there may be an increase in the Company's costs and a higher risk of non-compliance with associated reputational damage, which may materially adversely affect the Company's business, prospects, financial condition and results of operations.

A violation of environmental, product safety or health and safety laws or regulations relating to the Company's operations or a failure to comply with the instructions of the relevant environment or health and safety authorities could lead to criminal liability, criminal fines, costly compliance procedures, negative publicity, reputational damage and and/or in certain circumstances a temporary shutdown of all or part of the Company's business. Such violations if substantial could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

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

The market in which the Company operates is directly affected by many national and international factors that are beyond its control. Any of the following factors, among others, may cause a substantial decline in the market in which the Company offers its services and an impact on future demand for the Company's products: economic, stock market and political conditions, including uncertainty in the UK and European economy; the level and volatility of the UK consumer goods market; the cost of materials; concerns about inflation; consumer confidence; unemployment levels; decreased demand; a reduction in the disposable income of customers; consolidation in the sleep sector; order volumes, delays, cancellations and return rates; inability for the Company, customers and suppliers to accurately forecast future product demand trends; and legislative and regulatory changes. In recent years, markets have been affected by the global financial crisis. Worsening or volatile economic conditions could impact consumer confidence and the demand for the Company's services.

Uncertain economic prospects or a decline in the financial and/or consumer goods market could:

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

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

***The Company is subject to the risk relating to the withdrawal of the UK from membership of the EU***

The UK held a referendum on its continued membership of the EU on 23 June 2016, the result of which was a majority vote for the UK to leave the EU. The UK government formally served notice of the UK's intention to leave the EU on 29 March 2017 in accordance with Article 50(2) of the Treaty on European Union, marking the start of the process of the UK's withdrawal from the EU. The political, economic, legal and social consequences of the UK's exit from the EU and the ultimate outcome of the negotiations between the UK and the European Commission are uncertain at the current time and may remain uncertain for some time to come. Such potentially prolonged political and economic uncertainty and the potential negative economic trends that may follow could have a material adverse effect on the Company's business, financial position and/or results of operations. Therefore, there can be no certainty at present on the severity or complexity of any negative trends affecting the Company's business and ability to sustain and grow its European markets following the result of the UK referendum. A further consequence of the UK leaving the EU may be that the Company's ability to offer Ordinary Shares to EU residents is affected by potential new EU securities laws. The potential significance is such that all of the information in this Part II of this document should be read in conjunction with the statement set out above, as negative outcomes arising from the UK referendum result could exacerbate the effect on the Company of all or any of the risk factors its business would otherwise face.

***The Company's operations may be subject to political risk in Europe***

The forthcoming 2017 elections in Europe (in particular, in the UK, Germany and France) may result in leadership and policy changes which may affect the Company's ability to operate its business in those jurisdictions.

***The Company is susceptible to failures in its systems and breaches of security***

The successful operation of the Company's business depends upon maintaining the integrity of the Company's website, computer, communication and information technology systems. There can be no guarantee that the Company's security measures in relation to its computer, communication and information systems will protect it from all potential breaches of security.

The Company's systems and operations are vulnerable to damage, breakdown or interruption from events which are beyond the Company's control, such as power loss or telecommunications or data network failures; improper or negligent operation of the Company's system by employees; unauthorised physical or electronic access resulting in loss of customer data or fraudulent activity; interruptions to the integrity of the internet system generally as a result of cyber-attacks by computer hackers, viruses, terrorist activity, sabotage, vandalism, theft and similar misconduct; or other types of security breaches or natural or man-made disasters.

The Customers are required to provide the Company with personal data such as addresses, telephone numbers and e-mail addresses when completing the order process on the Company's website. At the conclusion of the order process, customers are linked to a third party payment platform where they enter confidential billing information, including credit card data. Any unauthorised access to customer personal data may result in consumers losing confidence in the use of the Company's website and the Company may incur financial or reputational losses arising from the theft, alteration, misuse, unauthorised disclosure or destruction of information. In addition to customer personal information, the Company also processes personal data of its employees. As the Company is established in the UK, UK data protection legislation is most likely to apply to any processing of customer or employee personal data by the Company although the Company may also need to comply with data protection legalisation in other jurisdictions (for further details, see "*Regulatory and legal background*" in Part I of this document). The Company strives to comply with all applicable laws, regulations, policies and legal obligations relating to privacy and data protection, but it is possible that such requirements may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another (for example, the European legislation which is currently in force gives EU member states a degree of discretion as to how it is implemented) and, from May 2018, more stringent data protection standards than are currently in force will apply as a result of the GDPR (as defined in "*Regulatory and legal background*" in Part I of this document) coming into force.

A system failure or security or data protection breach may be harmful to the Company's business and operations and may have an adverse impact on the views of the market and potential customers. This

may cause loss of consumer confidence in the Company and may deter current and potential customers from using its services and causing existing and potential customers to transact through a competitor. The failure of the Company's current systems and future upgrades to operate effectively or to integrate with other systems, or a breach in security of these systems could reduce the efficiency of or cause significant disruption to the operations of the Company. The time and costs for the remediation of any such failure, problem or breach could reduce the ability to trade and affect liquidity and profitability. Any disruptions caused by the failure of these systems could adversely impact the Company's ability to run its business and could have a material adverse effect on its performance. For example, a failure in the Company's billing software may have an adverse effect on consumer satisfaction and may cause one or more of the major credit card companies to disallow the Company's continued use of their payment products. In addition, if the billing software fails and the Company fails to bill consumers the Company's cash flow and results of operations will be affected adversely. In addition, any breaches of the applicable data protection obligations may result in reputational damage and the Company may incur significant fines which may have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

***The Company is dependent on its intellectual property***

Any steps the Company has taken, or is taking or proposing to take, to protect its intellectual property may be inadequate to protect, or prevent the misappropriation of, its proprietary information or other intellectual property or intellectual property rights, including the Company's brand names and product designs, amongst other things. Any misappropriation of the Company's intellectual property could have a negative effect on the Company's business, results of operation and the value of its brand. Some jurisdictions may not have adequate laws to protect the intellectual property rights of the Company, and policing unauthorised use of intellectual property, particularly online, is difficult and expensive. Any steps that the Company has taken to protect its intellectual property rights in foreign jurisdictions may be ineffective or unenforceable. In addition, any litigation relating to the Company's intellectual property, whether instigated by the Company to protect its rights or arising out of alleged infringement of third party rights, might result in substantial costs and the diversion of resources and management attention. Any damage to the Company's intellectual property rights could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

***The Company has entered into certain informal contractual arrangements***

The arrangements that the Company has entered into with certain of its suppliers, distributors and sales partners and in relation to the occupation of its premises, have been informal in nature and sometimes potentially inadequately documented. The lack of documentation may give rise to a number of areas of legal and/or commercial uncertainty. Where formal contracts have not been entered into, the areas of contractual uncertainty may include, amongst other things, (i) termination provisions; (ii) limitations and exclusions on liability (in time and monetary amount); (iii) insurance arrangements; (iv) the nature and extent of any indemnification provisions; (v) dispute resolution procedures; (vi) ownership of intellectual property; and (vii) governing law. Alternatively, the Company may be contracting with such third parties on their standard terms and conditions which are likely to be highly favourable to the counterparty, may not offer the Company adequate or appropriate protection and will not have been tailored to the relationship between the parties.

In light of the foregoing, there can be no assurance that third parties with whom contractual arrangements have not been entered into will not terminate their arrangements with the Company at short notice or without notice or that the Company will not in the future face challenges or disputes in relation to the contractual or other arrangements with such parties.

***The Company is exposed to risks associated with currency fluctuations***

The Company reports its results in pounds sterling which is also the Company's functional currency. Therefore, its presentation of consolidated financial statements and results of operations may be affected by both the transaction and translation effects of foreign currency exchange rate fluctuations. The Company is exposed to transaction effects when it incurs costs or generates revenue in a different currency, in particular, euros and US dollars. The Company is also exposed to currency fluctuation when it converts currencies through its operations into currencies required to pay for costs and services, which could result in a gain or loss depending on fluctuations in exchange rates.

### ***The Company relies on the retention of key management personnel***

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

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

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

#### ***The Company may incur some increased costs and devote substantial management time as a result of operating as a public company***

The Company expects that the obligations of being a public company, including public reporting and investor relations obligations, will require new expenditures, place new demands on the Company's management and will require the hiring of additional personnel.

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

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

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

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

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

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

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

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

**PART III**  
**SECTION A — HISTORICAL FINANCIAL INFORMATION ON EVE SLEEP PLC**

**Consolidated Income Statement**  
**for year ended 31 December 2016**

	<u>Note</u>	<u>2016</u>	<u>15 Month period ended 2015</u>
		£	£
<b>Revenue</b> . . . . .	2	<b>11,966,770</b>	2,628,109
Cost of sales . . . . .		<u>(6,152,136)</u>	<u>(1,367,737)</u>
<b>Gross profit</b> . . . . .		<b>5,814,634</b>	1,260,372
Distribution expenses . . . . .		<b>(1,231,308)</b>	(74,214)
Administrative expenses . . . . .		<b>(15,921,078)</b>	<u>(2,686,847)</u>
<b>Operating loss</b> . . . . .	3	<b>(11,337,752)</b>	<u>(1,500,689)</u>
<b>Loss before tax</b> . . . . .		<b>(11,337,752)</b>	(1,500,689)
Taxation . . . . .	5	—	—
<b>Loss for the year/period</b> . . . . .		<b><u>(11,337,752)</u></b>	<b><u>(1,500,689)</u></b>

There was no other comprehensive income for the year. All results relate to continuing activities.

Notes 1 to 18 form part of the historical financial information shown above.



**Consolidated Balance Sheet  
At 31 December 2016**

	<u>Note</u>	<u>2016</u> £	<u>2015</u> £
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment . . . . .	7	<b>7,945</b>	—
		<u>7,945</u>	—
<b>Current assets</b>			
Inventories . . . . .	9	<b>491,181</b>	—
Trade and other receivables . . . . .	10	<b>1,049,660</b>	420,145
Cash and cash equivalents . . . . .	11	<b>4,639,355</b>	1,559,467
		<u>6,180,196</u>	1,979,612
<b>Total assets</b> . . . . .		<u><b>6,188,141</b></u>	<u>1,979,612</u>
<b>Current liabilities</b>			
Trade and other payables . . . . .	12	<b>2,186,241</b>	193,501
Provisions . . . . .	13	<b>715,097</b>	174,135
		<u>2,901,338</u>	367,636
<b>Total liabilities</b> . . . . .		<u><b>2,901,338</b></u>	<u>367,636</u>
<b>Net assets</b> . . . . .		<u><b>3,286,803</b></u>	<u>1,611,976</u>
<b>Equity attributable to equity holders of the parent</b>			
Share capital . . . . .	14	<b>316</b>	226
Share premium . . . . .		<b>16,124,928</b>	3,112,439
Retained earnings . . . . .		<b>(12,838,441)</b>	(1,500,689)
<b>Total equity</b> . . . . .		<u><b>3,286,803</b></u>	<u>1,611,976</u>

Notes 1 to 18 form part of the historical financial information shown above.

### Consolidated Statement of Changes in Equity

	<u>Share capital</u>	<u>Share premium</u>	<u>Retained Earnings</u>	<u>Total equity</u>
	£	£	£	£
Balance at 13 October 2014 . . . . .	—	—	—	—
<b>Total comprehensive income for the period</b>				
Loss for the period . . . . .	—	—	(1,500,689)	(1,500,689)
Issue of shares . . . . .	226	3,112,439	—	3,112,665
<b>Balance at 31 December 2015 . . . . .</b>	<b><u>226</u></b>	<b><u>3,112,439</u></b>	<b><u>(1,500,689)</u></b>	<b><u>1,611,976</u></b>

	<u>Share capital</u>	<u>Share premium</u>	<u>Retained Earnings</u>	<u>Total equity</u>
	£	£	£	£
Balance at 1 January 2016 . . . . .	226	3,112,439	(1,500,689)	1,611,976
<b>Total comprehensive income for the period</b>				
Loss for the year . . . . .	—	—	(11,337,752)	(11,337,752)
Issue of shares . . . . .	90	13,012,489	—	13,012,579
<b>Balance at 31 December 2016 . . . . .</b>	<b><u>316</u></b>	<b><u>16,124,928</u></b>	<b><u>(12,838,441)</u></b>	<b><u>3,286,803</u></b>

Notes 1 to 18 form part of the historical financial information shown above.

**Consolidated Cash Flow Statement  
for year ended 31 December 2016**

	<u>Note</u>	<u>2016</u> £	<u>15 Month period ended 2015</u> £
<b>Cash flows from operating activities</b>			
Loss for the year/period . . . . .		(11,337,752)	(1,500,689)
<i>Adjustments for:</i>			
Depreciation . . . . .		2,647	—
Increase in trade and other receivables . . . . .		(629,515)	(420,145)
Increase in inventories . . . . .		(491,181)	—
Increase in trade and other payables . . . . .		1,992,740	193,501
Increase in provisions—net . . . . .	13	540,962	174,135
<b>Net cash from operating activities</b> . . . . .		<u>(9,922,099)</u>	<u>(1,553,198)</u>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment . . . . .		(10,592)	—
<b>Net cash from investing activities</b> . . . . .		<u>(10,592)</u>	<u>—</u>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of share capital . . . . .	14	13,012,579	3,112,665
<b>Net cash from financing activities</b> . . . . .		<u>13,012,579</u>	<u>3,112,665</u>
Net increase in cash and cash equivalents . . . . .		3,079,888	1,559,467
Cash and cash equivalents at 1 January 2016 . . . . .		1,559,467	—
<b>Cash and cash equivalents at 31 December 2016</b> . . . . .	11	<u>4,639,355</u>	<u>1,559,467</u>

Notes 1 to 18 form part of the historical financial information shown above.

## Notes

### ***(forming part of the financial statements)***

#### **1 Accounting policies**

eve sleep Limited (the "Company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 09261636 and the registered address is Interchange Atrium, The Stables Market, Chalk Farm Road, London, England, NW1 8AH.

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group").

The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The Group is a first time adopter of IFRS in these accounts. The date of transition to IFRS is the date of incorporation which is 13 October 2014 therefore no exemptions allowed by IFRS 1 have been taken. No reconciliations from the previous statutory accounts have been provided as those accounts did not include consolidated numbers.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 1.15.

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2016 or period ended 2015. Company-only statutory accounts for 2015, prepared under the Financial Reporting Standard for Smaller Entities (FRSSE), have been delivered to the registrar of companies. Consolidated statutory accounts for 2016, prepared under EU-IFRS, will be delivered in due course. The auditor has reported on the 2016 statutory accounts and their report was (i) unqualified-, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The 2015 statutory accounts were unaudited

#### **1.1 Measurement convention**

The financial statements are prepared on the historical cost basis.

#### **1.2 Going Concern**

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. The going concern basis of accounting has therefore been adopted in preparing the financial statements.

The Directors have assessed the Group's need for further funding in order to support future strategic aspirations of continued growth and have prepared cash flow forecasts to assess both immediate and long term working capital requirements. Post 31 December 2016, the Group secured additional capital of £4,994,003 by way of an issue of A preference shares at a premium from an existing investor to support current growth expectations. The consideration paid was £5,000,000 less legal fees of £5,997. They consider that a listing through an Initial Public Offering, (IPO) will generate the additional capital required in order to fulfil longer term stability of the Group.

#### **1.3 Basis of consolidation**

##### ***Subsidiaries***

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-

## **1 Accounting policies (Continued)**

controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

### *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### **1.4 Foreign currency**

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognised directly in other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the foreign currency translation reserve (FCTR) or non-controlling interest, as the case may be. When a foreign operation is disposed of, such that control, joint control or significant influence (as the case may be) is lost, the entire accumulated amount in the FCTR net of amounts previously attributed to non-controlling interests, is recycled to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while still retaining control, the relevant proportion of the accumulated amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while still retaining significant influence or joint control, the relevant proportion of the cumulative amount is recycled to profit or loss.

### **1.5 Classification of financial instruments issued by the Group**

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

## **1 Accounting policies (Continued)**

### **1.6 Non-derivative financial instruments**

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

#### *Trade and other receivables*

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost less any impairment losses.

#### *Trade and other payables*

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised.

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits.

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

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

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

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives are as follows:

- computer equipment                      3 years
- fixtures and fittings                      3 years

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

### **1.8 Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition.

### **1.9 Investments**

Investments in subsidiary companies are stated at cost and are subject to review for impairment indicator if identified.

### **1.10 Impairment excluding inventories**

#### *Financial assets (including receivables)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

## **1 Accounting policies (Continued)**

### **1.11 Provisions**

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

### **1.12 Revenue**

Revenue and profit before tax are attributable to the one principal activity of the business. Revenue represents the net sales of goods including freight, excluding value added tax. Revenue from the sale of goods is recognised when the Group has transferred the goods to the buyer on despatch from the warehouse, less appropriate deduction for actual and expected returns (refer to refund provision under note 1.15 below), relevant discounts, and deferral of sales which are yet to be fulfilled.

### **1.13 Expenses**

#### *Operating lease payments*

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

#### *Financing income and expenses*

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

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

### **1.14 Taxation**

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

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

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

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

### **1.15 Significant estimates and judgements**

The preparation of financial statements in conformity with IFRS as adopted by the EU requires management to make judgements, estimates and assumptions that affect the reported amounts of

## **1 Accounting policies (Continued)**

assets and liabilities and the disclosure of contingent assets and liabilities. The estimates and assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances. Actual results could differ from these estimates and any subsequent changes are accounted for when such information becomes available. The judgements, estimates and assumptions that are the most subjective or complex are discussed below:

### *Refund Provision*

As per 1.12 above, revenue is stated after a refund provision. A provision for sales refunds is estimated based on recent historical returns and management's best estimates and are recorded so as to allocate them to the period in which the original revenue is recorded. Actual returns could differ from these estimates. Please refer to note 13 below for details.

### *Inventory valuation*

Inventory is carried at the lower of cost or net realisable. The estimation of net realisable value may be different from the future actual value realised due provisions for slow moving or obsolete inventory. The provision for slow moving or obsolete inventory is based upon an analysis of the inventory turnover and management's best estimates. Actual net realisable value may be different from these estimates.

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

The following Adopted IFRSs have been issued but have not been applied by the Group in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- IFRS 9 Financial Instruments (effective date 1 January 2018).
- IFRS 15 Revenue from Contract with Customers (effective date 1 January 2018).
- IFRS 16 Leases (effective 1 January 2019).
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (1 January 2017 — not yet endorsed).
- Amendments to IAS 7: Disclosure Initiative (1 January 2017 — not yet endorsed).
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (1 January 2018 — not yet endorsed).
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (1 January 2018 — not yet endorsed).

## **2 Segmental analysis**

IFRS 8, "Operating Segments", requires operating segments to be determined based on the Group's internal reporting to the Chief Operating Decision Maker. The Chief Operating Decision Maker has been determined to be the executive board and has determined that the primary segmental reporting format of the Group is geographical by customer location, based on the Group's management and internal reporting structure.

The executive board assesses the performance of each segment based on revenue and gross profit after distribution expenses, which excludes administrative expenses

See note 1.12 for the Group's accounting policy on revenue recognition.



## 2 Segmental analysis (Continued)

	Year ended 31 December 2016			
	UK	Rest of Europe	Rest of the World	Total
Revenue . . . . .	7,733,404	3,150,950	1,082,416	11,966,770
Cost of sales . . . . .	(3,781,404)	(1,769,754)	(600,978)	(6,152,136)
<b>Gross profit . . . . .</b>	<b>3,952,000</b>	<b>1,381,196</b>	<b>481,438</b>	<b>5,814,634</b>
Distribution expenses . . . . .	(628,538)	(369,592)	(233,178)	(1,231,308)
<b>Segment results . . . . .</b>	<b>3,323,462</b>	<b>1,011,604</b>	<b>248,260</b>	<b>4,583,326</b>
Administration expenses . . . . .	—	—	—	(15,921,078)
<b>Operating profit . . . . .</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(11,337,752)</b>
<b>Loss before tax . . . . .</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(11,337,752)</b>

	15 Month period ended 31 December 2015			
	UK	Rest of Europe	Rest of the World	Total
Revenue . . . . .	2,375,091	219,286	33,732	2,628,109
Cost of sales . . . . .	(1,221,674)	(128,366)	(17,697)	(1,367,737)
<b>Gross profit . . . . .</b>	<b>1,153,417</b>	<b>90,920</b>	<b>16,035</b>	<b>1,260,372</b>
Distribution expenses . . . . .	(58,502)	(11,329)	(4,383)	(74,214)
<b>Segment results . . . . .</b>	<b>1,094,915</b>	<b>79,591</b>	<b>11,652</b>	<b>1,186,158</b>
Administration expenses . . . . .	—	—	—	(2,686,847)
<b>Operating profit . . . . .</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(1,500,689)</b>
<b>Loss before tax . . . . .</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(1,500,689)</b>

All of the Group's revenue is from sale of goods. The Group is an e-commerce focused sleep brand which designs and sells mattresses and other sleep products such as pillows and duvets. The Group principally focuses on the design, branding and marketing of its products, with other aspects of its operations, including manufacturing and fulfilment, being outsourced. The majority of the Group's sales are to individual customers with a smaller proportion of sales to retail distributors. Accordingly the Group is not reliant on any individual major customer, however year end trade receivables represent amounts due from a smaller number of retail distributor customers under credit terms. Refer to note 10 regarding the concentration of the outstanding balance at the year end.

No analysis of the assets and liabilities of each operating segment is provided to the Chief Operating Decision Maker in the monthly management accounts. Therefore no measure of segmental assets or liabilities is disclosed in this note.

There are no material non-current assets located outside the UK.

## 3 Expenses and auditors' remuneration

*Included in profit/loss are the following:*

	2016	15 Month period ended 2015
	£	£
Depreciation of property, plant and equipment . . . . .	<b>2,647</b>	—
Movement in provision for slow-moving inventory . . . . .	<b>610,596</b>	—
Adjustment of inventories to net realisable value . . . . .	<b>92,969</b>	—

*Included in profit/loss are the following:*

*Auditor's remuneration:*

	2016	15 Month period ended 2015
	£	£
Audit of these financial statements . . . . .	<b>47,500</b>	<b>17,500</b>

#### 4 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2016	15 Month period ended 2015
Finance . . . . .	3	1
Marketing . . . . .	15	4
Operations . . . . .	33	7
	<u>51</u>	<u>12</u>

The aggregate payroll costs of these persons were as follows:

	2016	15 Month period ended 2015
	£	£
Wages and salaries . . . . .	2,356,332	196,825
Social Security Costs . . . . .	202,929	12,861
	<u>2,559,261</u>	<u>209,686</u>

The aggregate compensation to key management personnel, being the Directors of eve Sleep Limited (Executive and Non-Executive), was as follows:

	2016	15 Month period ended 2015
	£	£
Short term employee benefits . . . . .	245,032	33,925
	<u>245,032</u>	<u>33,925</u>

#### 5 Taxation

##### Recognised in the income statement

	2016	15 Month period ended 2015
	£	£
Current tax expense . . . . .	—	—
Current year . . . . .	—	—
Deferred tax expense . . . . .	—	—
Total tax expense . . . . .	<u>—</u>	<u>—</u>

##### Reconciliation of effective tax rate

	2016	15 Month period ended 2015
	£	£
Loss for the year . . . . .	(11,337,752)	(1,500,689)
Total tax expense . . . . .	<u>—</u>	<u>—</u>
Loss excluding taxation . . . . .	<u>(11,337,752)</u>	<u>(1,500,689)</u>
Tax using the UK corporation tax rate of 20% (2015:20.38%) . . . . .	(2,267,550)	(305,840)
Non-deductible expenses . . . . .	64,716	41,559
Current year losses for which no deferred tax asset was recognised . .	2,202,834	264,281
Total tax expense . . . . .	<u>—</u>	<u>—</u>

## 5 Taxation (Continued)

The Group has accumulated tax losses available for offset against future profits of £12,310,941 (2015: £1,296,769). A deferred tax asset has not been recognised in respect of these losses as there is uncertainty regarding the timing of when these losses will be recovered.

The UK corporation tax rate has decreased from 20% to 19% from 1 April 2017 and will decrease to 17% from 1 April 2020.

## 6 Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to the owners of the parent company by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share is calculated by dividing the profit attributable to the owners of the parent company by the number of ordinary shares in issue during the period, adjusted for the effects of potentially dilutive share options.

	<u>2016</u>	<u>15 Month period ended 2015</u>
Weighted average shares in issue for basic earnings per share (no. of shares) . . . . .	2,691,942	1,808,014
Weighted average shares in issue for diluted earnings per share (no. of shares) . . . . .	2,691,942	1,808,014
Loss attributable to owners of the parent company from continuing operations . . . . .	(11,337,752)	(1,500,689)
Basic loss per share (pence) . . . . .	(421)p	(83)p
Diluted loss per share (pence) . . . . .	(421)p	(83)p

EPS and diluted EPS are not calculated for each class of share as the shares carry the same right to share in profit or loss for a period.

As at 31 December 2016, number of options outstanding amounted to 795,606. Given the loss in the year to 31 December 2016 of £11,337,752 (2015:£1,500,689 loss), these options are anti-dilutive.

Subsequent to the year end, all share options in issue prior to 31 December 2016 were cancelled. No charges are reflected in 2016 or 2015 in respect of these share options as the amounts are not material.

## 7 Property, plant and equipment

	<u>Plant and equipment</u>	<u>Fixtures &amp; fittings</u>	<u>Total</u>
	£	£	£
<b>Cost</b>			
Balance at 1 January 2016 . . . . .	—	—	—
Acquisitions . . . . .	7,326	3,266	10,592
Balance at 31 December 2016 . . . . .	<u>7,326</u>	<u>3,266</u>	<u>10,592</u>
<b>Depreciation and impairment</b>			
Balance at 1 January 2016 . . . . .	—	—	—
Depreciation charge for the year . . . . .	1,831	816	2,647
Balance at 31 December 2016 . . . . .	<u>1,831</u>	<u>816</u>	<u>2,647</u>
<b>Net book value</b>			
At 31 December 2015 . . . . .	<u>—</u>	<u>—</u>	<u>—</u>
<b>At 31 December 2016 . . . . .</b>	<u><b>5,495</b></u>	<u><b>2,450</b></u>	<u><b>7,495</b></u>

There were no additions to property, plant and equipment in the period ended 31 December 2015.

## 8 Investments in subsidiaries

The Company has the following investments in subsidiaries.

<u>Company</u>	<u>Principal place of business/Registered office address</u>	<u>Registered number</u>	<u>Ownership</u>	
			<u>2016</u>	<u>2015</u>
eve sleep Inc . . . . .	185 W. Broadway, Suite 101, PO Box 1150, Jackson	EIN 47-4164566	<b>100%</b>	100%
eve sleep SASU . . . . .	5 Rue Des Suisses, 75014 Paris	823397419 R.C.S PARIS	<b>100%</b>	100%

All operating subsidiaries are included in the consolidated financial statements. No subsidiaries have non-controlling interests.

## 9 Inventories

	<u>2016</u>	<u>2015</u>
	£	£
Finished goods . . . . .	<b>491,181</b>	—
	<b><u>491,181</u></b>	<b><u>—</u></b>

The write-down of inventories to net realisable value amounted to £703,565 (2015: £30,000). Inventory days were 60 days in 2016 (2015: 60 days)

## 10 Trade and other receivables

	<u>2016</u>	<u>2015</u>
	£	£
Trade receivables . . . . .	<b>322,503</b>	47,000
Other receivables . . . . .	<b>494,806</b>	—
Prepayments . . . . .	<b>232,351</b>	373,145
Current . . . . .	<b>1,049,660</b>	420,145

Trade and other receivables represent amounts due from wholesale and retail customers.

The average credit period offered on sales of goods during 2016 was 60 days (2015: 60 days). The average days sales outstanding (“DSO”) in 2016 was 60 days (2015: 60 days).

The Group has not charged interest for late payment of invoices in the current year or prior period.

Allowances against doubtful debts are estimated by reference to irrecoverable amounts based on past default experience. Specific counterparty risk is also considered where an analysis of the counterparty’s current financial position indicates a change in credit risk.

Before accepting any significant new customer, the Group uses a variety of credit scoring systems to assess the potential customer’s credit quality and to define credit limits for each customer. Limits and scoring attributed to customers are reviewed regularly.

A single major retailer customer for 72% of the total balance of trade receivables on 31 December 2016 (2015: 65%). No other single customer accounted for more than 10% of the total balance of trade receivables net of allowances for doubtful debts during the period under review.

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the year-end but against which the Group has not recognised an allowance for doubtful receivables. There has not been a significant change in credit quality and the amounts are still considered recoverable.

## 10 Trade and other receivables (Continued)

<u>Ageing of receivables</u>	<u>2016</u>	<u>2015</u>
	£	£
Not overdue . . . . .	294,172	42,790
Overdue between 0 - 30 days . . . . .	4,203	805
Overdue between 31 - 60 days . . . . .	3,664	—
Overdue between 61 - 90 days . . . . .	20,464	3,405
Total . . . . .	<u>322,503</u>	<u>47,000</u>

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the relevant year-end. Aside from the single major retail customer accounting for the year end trade receivable balance mentioned above, the concentration of credit risk is limited due to the customer base being large and diverse.

## 11 Cash and cash equivalents

	<u>2016</u>	<u>2015</u>
	£	£
Cash and cash equivalents per balance sheet . . . . .	<u>4,639,355</u>	1,559,467
Cash and cash equivalents per cash flow statement . . . . .	<u>4,639,355</u>	1,559,467

## 12 Trade and other payables

	<u>2016</u>	<u>2015</u>
	£	£
<b>Current</b>		
Trade payables . . . . .	1,424,718	140,000
Non-trade payables and accrued expenses . . . . .	463,856	53,501
Taxes and social security payable . . . . .	297,667	—
	<u>2,186,241</u>	<u>193,501</u>

## 13 Provisions

	<u>Refunds</u>	<u>Sales Return</u>	<u>Total</u>
	£	£	£
Balance at 1 January 2016 . . . . .	174,135	—	174,135
Provisions made during the year . . . . .	560,683	154,414	715,097
Provisions used during the year . . . . .	(174,135)	—	(174,135)
<b>Balance at 31 December 2016 . . . . .</b>	<u>560,683</u>	<u>154,414</u>	<u>715,097</u>
<b>Current . . . . .</b>	<u>560,683</u>	<u>154,414</u>	<u>715,097</u>

A refund provision is required as the Group provides certain products to customers under a 100 day trial period. During this period the customer is entitled to return goods for a full refund. The provision is calculated by reference to the rate of returns experienced by the Group in preceding periods and the level of sales subject to the 100 day trial period at the year end. An analysis of the rate of return over historical periods does not indicate a significant variation in the rate of refunds provided to customers and accordingly, whilst there is a degree of estimation in the calculation of this provision, any reasonable sensitivity analysis in the rate applied to sales at the year end would not result in a material impact.

A sales return provision is required as inventory purchased by wholesale customers may be returned under warranty or other contractual conditions. The Group is able to monitor the level of inventory held by third parties in order to identify the level of returns likely to arise at period ends. There is only a small degree of estimation in calculating the provision as the actual level of inventory held, subject to the provision, is observable.

## 14 Capital and reserves

### Share capital

#### Ordinary shares

	Ordinary shares of £0.0001 per share	Ordinary shares A of £0.0001 per share	Ordinary shares B of £0.0001 per share	Ordinary shares C of £0.0001 per share
In issue at 1 January 2016	1,204,600	313,283	68,500	—
Issued for cash	—	425,497	—	165,412
Shares cancelled	(374,200)	—	—	—
In issue at 31 December 2016 — fully paid	<u>830,400</u>	<u>738,780</u>	<u>68,500</u>	<u>165,412</u>

#### Preference shares

	Preferred shares of £0.0001 per share	Preferred shares A of £0.0001 per share
In issue at 1 January 2016	358,600	313,283
Issued for cash and cash equivalents	—	688,096
In issue at 31 December 2016 — fully paid	<u>358,600</u>	<u>1,001,379</u>

	2016 No	2016 £	2015 No	2015 £
Allotted, called up and fully paid				
Ordinary shares of £0.0001 each	1,803,092	180	1,586,383	159
Preference shares of £0.0001 each	1,359,979	136	671,883	67
	<u>3,163,071</u>	<u>316</u>	<u>2,258,266</u>	<u>226</u>

The Company has two classes of ordinary preference share; A Preference Shares of £0.0001 each and Preference Shares of £0.0001 each. The preference shares are non-redeemable. The holders of preference shares are entitled to be repaid out of the proceeds of a sale or on a liquidation in advance of the ordinary shares on the basis more particularly set out in the articles. Each preference share is entitled to one vote per share at meetings of the Company. The preference shares are not entitled to any cumulative, accruing or fixed dividends.

The Company has four classes of ordinary shares; Ordinary Shares of 0.0001 each, A Ordinary Shares of £0.0001 each, B Ordinary Shares of £0.0001 each and C Ordinary Shares of £0.0001 each. All classes of ordinary shares are entitled to one vote per share at meetings of the Company, save for the B Ordinary Shares which are not entitled to a vote.

The holders of ordinary shares and preferred shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

During the year, the Company issued 1,279,005 £0.0001 shares for a consideration of £13,084,743 less legal fees of £72,164, settled in cash and cash equivalents. On 27 September 2016, 374,200 existing Ordinary Shares with a nominal value of £0.0001 were cancelled. Of the 374,200 that were cancelled, 220,900 were purchased back at no value and were held in treasury. The resulting total share capital being 830,400 (excluding 220,900 held in treasury) Ordinary Shares of £0.0001 each, 738,780 Ordinary A Shares of £0.0001 each, 68,500 Ordinary B Shares of £0.0001 each, 165,412 Ordinary C Shares of £0.0001 each, 358,600 Preferred Shares of £0.0001 each and 1,001,379 Preferred A Shares of £0.0001 each.

## 15 Financial instruments

### Categories of financial instruments

	31 December 2016	31 December 2015
<b>Financial Assets</b>		
Loans and Receivables . . . . .	<b>5,456,664</b>	1,606,467
<b>Financial Liabilities</b>		
Amortised cost . . . . .	<b>2,186,241</b>	193,501

'Loans and receivables' includes trade and other receivables and cash and cash equivalents, and excludes prepayments. Included in 'Financial liabilities at amortised cost' are trade payables, accruals and other payables. The carrying value of financial assets and liabilities approximates their fair value.

### Financial instruments

#### *Risk management*

The Company seeks to reduce exposures to capital risk, liquidity risk, credit risk and foreign currency risk, to ensure liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Group does not engage in speculative trading in financial instruments and transacts only in relation to underlying business requirements. The Group's treasury policies and procedures are periodically reviewed and approved by the Board.

#### *Capital risk*

The Group's objectives when managing capital (defined as cash and cash equivalents plus equity attributable to owners of the parent) are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders through an appropriate amount of equity funding, while maintaining a strong credit rating and sufficient headroom. The Group makes adjustments to its capital structure in light of changes to economic conditions and the Group's strategic objectives

#### *Credit risk*

Credit risk is the risk that a counterparty may default on its obligation to the Group in relation to lending, hedging, settlement and other financial activities. The Group's principal financial assets are trade and other receivables, bank balances, and cash in hand. The Group's credit risk is primarily attributable to its trade and other receivables. The amounts included in the Statement of Financial Position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows. The Group has a low retail credit risk due to transactions being principally of high volume, low value and short maturity. Whilst a significant proportion of trade receivables is with a few customers the Group assessed the risk of default as low due to the nature of these customers to be large well established retailers with which the Group has a good relationship. The credit risk on liquid funds is considered to be low, as the company limits the value that can be placed with each approved counterparty to minimise the risk of loss.

#### *Liquidity risk*

The Group manages its exposure to liquidity risk by continuously monitoring short- and long-term forecasts and actual cash flows and ensuring it has the necessary banking and reserve borrowing facilities available to meet the requirements of the business.

#### *Foreign currency risk*

The Group operates internationally and is therefore exposed to foreign currency transactions risk, primarily on sales denominated in US dollars and Euros. The Group's presentational currency is pounds sterling, therefore the Group is also exposed to foreign currency translation risks due to movements in foreign exchange rates on the translation of non-sterling assets and liabilities.

## 15 Financial instruments (Continued)

### Foreign currency sensitivity

The Group's principal financial instrument foreign currency exposures are to US dollars and EURO's. The table below illustrates the hypothetical sensitivity of the Group's reported profit before tax and closing equity to a 10% increase and decrease in the value of each of these currencies relative to pounds sterling at the reporting date, assuming all other variables remain unchanged. The sensitivity rate of 10% is deemed to represent a reasonably possible change based on historic exchange rate volatility.

The following assumptions were made in calculating the sensitivity analysis:

- all sensitivities affecting the Consolidated Income Statement also impact equity
- translation of foreign subsidiaries and operations into the Group's presentation currency has been excluded from the sensitivity analysis

	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	£	£	£	£
Sterling strengthen by 10% against:				
US Dollar . . . . .	(347)	—	(347)	—
Euro . . . . .	(2,974)	—	(2,974)	—
Sterling weakens by 10% against:				
US Dollar . . . . .	2,974	—	2,974	—
Euro . . . . .	347	—	347	—

A 10% percent weakening/strengthening of the following currencies against the pound sterling at 31 December 2016 would have increased (decreased) equity and profit or loss by 0.029%. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

## 16 Contingencies

There were no contingent liabilities to be disclosed.

## 17 Related parties

### Identity of related parties with which the Group has transacted

#### Transactions with key management personnel

The compensation of directors is as follows:

	<u>2016</u>	<u>2015</u>
	£	£
Directors and Key Management Personnel remuneration including social security costs . . . . .	<u>163,897</u>	<u>42,925</u>
	<u>163,897</u>	<u>42,925</u>

#### Other related party transactions

During the period, the Group paid K Wieczorek (Director) £58,037 (2015:£106,860) for consultancy services provided. The balance owing to him as at 31 December 2016 was nil.

A £6,000 loan was made to a director in December 2016. The loan resulted from the director incurring personal expenses on the business credit card; the Company paid the entire bill amount and the portion of personal expenses on the bill was recorded as a loan to the director. This was repaid in January 2017.

The Group has previously entered into arrangements with Kuba Wieczorek (through Kuba Photography, which is owned by Kuba Wieczorek; Kuba Photography rented photography equipment and passed it on to the Group at cost price), Silas Moore (design consultancy services), James Kydd (marketing consultancy services) and Natalie Bowen (commercial partnerships manager). There were no formal agreements in place for any of these arrangements. The arrangements with



## **17 Related parties (Continued)**

Kuba Wieczorek, Silas Moore and James Kydd have now been terminated. Natalie Bowen is now an employee of the Company.

## **18 Subsequent events**

On 15 March 2017, an investor subscribed for a further 206,773 Preference Shares. This investment was required to fund the Company's short-term cash requirements and was made to protect the investor's original investment while the business sought a longer-term funding solution.

The Company was re-registered as a public company on 12 May 2017 and by special resolution changed its name to eve Sleep plc.

**PART III**  
**SECTION B — ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL**  
**INFORMATION ON EVE SLEEP PLC**

The Directors  
eve Sleep plc  
Interchange Atrium, The Stables Market  
Chalk Farm Road  
Camden  
London  
NW1 8AH

15 May 2017

Ladies and Gentlemen

**eve Sleep plc**

We report on the financial information set out on pages 41 to 58 for the period ended 31 December 2015 and the year ended 31 December 2016. This financial information has been prepared for inclusion in the AIM Admission Document dated 15 May 2017 of eve Sleep plc on the basis of the accounting policies set out in note 1 to the financial information. This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

**Responsibilities**

The Directors of eve Sleep plc are responsible for preparing the financial information on the basis of preparation set out in *note 1 to the financial information* and in accordance with International Financial Reporting Standards as adopted by the European Union.

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

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

**Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

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

**Opinion on financial information**

In our opinion, the financial information gives, for the purposes of the AIM Admission Document dated 15 May 2017, a true and fair view of the state of affairs of eve Sleep plc as at 31 December 2015 and 31 December 2016 and of its losses, cash flows and recognised gains and losses and changes in equity for the period ended 31 December 2015 and the twelve months ended 31 December 2016 in accordance with the basis of preparation set out in note 1 to the financial information and in accordance with International Financial Reporting Standards as adopted by the European Union as described in note 1.

**Declaration**

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

Yours faithfully

***KPMG LLP***

**PART IV**  
**UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE GROUP**

The unaudited pro forma statement of net assets set out below has been prepared to illustrate the impact of the IPO on the consolidated net assets of the Group. The pro forma net assets statement is based on the audited consolidated net assets of the Group at 31 December 2016 and has been prepared on the basis that the IPO took place on 31 December 2016. The unaudited pro forma statement of net assets is compiled on the basis set out in the notes below and in accordance with the accounting policies of the Group for the year ending 31 December 2016.

Because of its nature the unaudited pro forma statement of net assets addresses a hypothetical situation and does not, therefore, represent the Group's actual financial position or results. It may not, therefore give a true picture of the Group's financial position or results nor is it indicative of the results that may, or may not, be expected to be achieved in the future. The pro forma information has been prepared for illustrative purposes only in accordance with Annex II of the Prospectus Directive Regulation.

	<b>Consolidated net assets of the Group at 31 December 2016</b>	<b>Adjustment Adjustment for Net Proceeds of IPO</b>	<b>Unaudited pro forma total</b>
	<b>Note 1 £</b>	<b>Note 2 £</b>	<b>Note 3 £</b>
<b>Non current assets</b>			
Property, plant and equipment . . . . .	7,945	0	7,945
	<b>7,945</b>	<b>0</b>	<b>7,945</b>
<b>Current assets</b>			
Inventories . . . . .	491,181	0	491,181
Trade and other receivables . . . . .	1,049,660	0	1,049,660
Cash and cash equivalents . . . . .	4,639,355	32,600,369	37,239,724
	<b>6,180,196</b>	<b>32,600,369</b>	<b>38,780,565</b>
<b>Total assets</b> . . . . .	<b>6,188,141</b>	<b>32,600,369</b>	<b>38,788,510</b>
<b>Current liabilities</b>			
Trade and other payables . . . . .	2,186,241	0	2,186,241
Provisions for liabilities and charges . . . . .	715,097	0	715,097
	<b>2,901,338</b>	<b>0</b>	<b>2,901,338</b>
<b>Total liabilities</b> . . . . .	<b>2,901,338</b>	<b>0</b>	<b>2,901,338</b>
<b>Net assets</b> . . . . .	<b>3,286,803</b>	<b>32,600,369</b>	<b>35,887,172</b>

Notes

- (1) The net assets of the Group as at 31 December 2016 have been extracted without material adjustment from the historical financial information set out in Part III of this document.
- (2) The adjustment reflects the receipt by the Company of the net proceeds of the IPO of £32.6m (gross proceeds of £34.9m) less estimated expenses payable by the Company of £2.3m.
- (3) No adjustment has been made to reflect the trading results of the Group since 31 December 2016 or any other change in its financial position since that date.

**PART V**  
**TERMS AND CONDITIONS OF THE PLACING**

**For invited placees only — Important Information**

The information contained in this Part V is restricted and is not for publication, release or distribution in or into the United States, any province of Canada, Australia, Japan, the Republic of South Africa or New Zealand or any other jurisdiction in which such publication, release or distribution would be unlawful.

**Each Placee should consult with its own advisers as to legal, tax, business and related aspects in relation to any acquisition of Placing Shares.**

**EVE SLEEP PLC**

**Proposed Placing of Placing Shares at the Placing Price of 101 pence per Placing Share**

These Terms and Conditions do not constitute an offer or invitation to acquire, underwrite or dispose of, or any solicitation of any offer or invitation to acquire, underwrite or dispose of, any Ordinary Shares or other securities of the Company to any person in any jurisdiction to whom it is unlawful to make such offer, invitation or solicitation in such jurisdiction. Persons who seek to participate in the Placing must inform themselves about and observe any such restrictions and must be persons who are able to lawfully receive this document in their jurisdiction. In particular, neither this document nor these Terms and Conditions constitutes an offer or invitation (or a solicitation of any offer or invitation) to acquire, underwrite or dispose of or otherwise deal in any Ordinary Shares or other securities of the Company in the United States, Canada, Australia, the Republic of South Africa, Japan or New Zealand, or in any other jurisdiction in which any such offer, invitation or solicitation is or would be unlawful.

Members of the public are not eligible to take part in the Placing. Prospective investors must inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer, redemption or other disposal of the Ordinary Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer, redemption or other disposal of the Ordinary Shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer, redemption or other disposal of the Ordinary Shares. This document (including these Terms and Conditions) does not constitute an offer to sell, or the solicitation of an offer to acquire or subscribe for, Ordinary Shares in any jurisdiction where such offer or solicitation is unlawful or would impose any registration, qualification, publication or approval requirements on the Company or Peel Hunt. The offer and sale of Ordinary Shares has not been and will not be registered under the applicable securities laws of Canada, Australia, Japan, New Zealand or the Republic of South Africa. Subject to certain exemptions, the Ordinary Shares may not be offered to or sold within Canada, Australia, Japan, New Zealand or the Republic of South Africa or to any national, resident or citizen of Canada, Australia, Japan, New Zealand or the Republic of South Africa.

The Ordinary Shares have not been, and will not be, registered with the US Securities and Exchange Commission under the US Securities Act, or the securities laws of any other jurisdiction of the United States. The Ordinary Shares may not be offered or sold, directly or indirectly, in or into the United States (except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the US Securities Act). No public offering of the Ordinary Shares is being made in the United States. The Ordinary Shares are being offered and sold only outside the United States in “offshore transactions” within the meaning of, and in reliance on, Regulation S of the US Securities Act. The Ordinary Shares have not been approved or disapproved by the United States Securities and Exchange Commission, any state securities commission in the United States or any other regulatory authority in the United States, nor have any of the foregoing authorities passed on or endorsed the merits of the Placing or the accuracy or adequacy of the information contained in this document (including these Terms and Conditions). Any representation to the contrary is a criminal offence in the United States. No money, securities or other consideration from any person inside the United States is being solicited and, if sent in response to the information contained in this document, or any announcement made by the Company, will not be accepted.

In the United Kingdom this document (including these Terms and Conditions) is being distributed to, and is directed only at: (a)(i) persons having professional experience in matters relating to investments

who fall within the definition of “investment professionals” in Article 19(5) of the Order; or (ii) high net worth companies, unincorporated associations and other bodies within the meaning of Article 49(2)(a) to (d) of the Order; and (b) “qualified investors” within the meaning of Article 2(1)(e) of the Prospectus Directive; or (c) persons to whom it is otherwise lawful to distribute it (all such persons together being referred to as **Relevant Persons**). It is not directed at and may not be acted or relied on by anyone other than a Relevant Person. Persons who do not fall within the definition of “Relevant Persons” above should not rely on this document, nor take any action upon it. By receiving this document you are deemed to warrant to the Company and Peel Hunt that you are a Relevant Person and agree to and will comply with the contents of these Terms and Conditions.

In relation to each Relevant Member State, no Ordinary Shares have been offered, or will be offered, pursuant to the Placing to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Ordinary Shares which has been approved by the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that offers of Ordinary Shares to the public may be made at any time under the following exemptions under the Prospectus Directive, if they are implemented in that Relevant Member State:

- 1 to any legal entity which is a “qualified investor” as defined in the Prospectus Directive;
- 2 to fewer than 150, or, if the Relevant Member State has not implemented the relevant provision of the Prospectus Directive, 100 natural or legal persons (other than “qualified investors” as defined in the Prospectus Directive) in such Relevant Member State; or
- 3 in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Ordinary Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a Relevant Member State and each person who initially acquires any Ordinary Shares or to whom any offer is made under the Placing will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of Article 2(1)(e) of the Prospectus Directive. For the purposes of this provision, the expression “an offer to the public” in relation to any offer of Ordinary Shares in any Relevant Member State means a communication in any form and by any means presenting sufficient information on the terms of the offer and any Ordinary Shares to be offered so as to enable an investor to decide to subscribe for the Ordinary Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression the “Prospectus Directive” means the Prospectus Directive, to the extent implemented in the Relevant Member State and includes any relevant implementing measure in each Relevant Member State.

These Terms and Conditions apply to each Placee. Each Placee hereby agrees with Peel Hunt and the Company to be legally and irrevocably bound by these Terms and Conditions which will be the terms and conditions on which the Placing Shares will be acquired in the Placing.

The Terms and Conditions must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which the Terms and Conditions set out herein relates is available only to Relevant Persons and will be engaged in only with Relevant Persons.

Acceptance of any offer incorporating the Terms and Conditions (whether orally or in writing or evidenced by way of a contract note) will constitute a binding irrevocable commitment by a Placee, subject to the Terms and Conditions set out below, to subscribe and pay for the relevant number of Placing Shares (the **Placing Participation**). Such commitment is not capable of termination or rescission by the Placee in any circumstances except fraud. All such obligations are entered into by the Placee with Peel Hunt in its capacity as agent for the Company and are therefore directly enforceable by the Company.

In the event that Peel Hunt has procured acceptances from Placees in connection with the Placing prior to the date of the despatch of this document to a Placee, Peel Hunt will, prior to Admission, request confirmation from any such Placee that its Placing Participation as agreed in any earlier commitment remains firm and binding upon the Terms and Conditions of this document and referable to the contents of this document of which these terms form part. Upon such confirmation being given (whether orally, in writing or by conduct (including without limitation by receipt of the relevant placing proceeds by Peel Hunt)) any agreement made in respect of the Placing Shares shall be varied, amended and/or ratified in accordance with these Terms and Conditions and based upon this document and no reliance may be placed by a Placee on any earlier version of this document.

## **Application for admission to trading**

Application has been made to the London Stock Exchange for the admission of the Placing Shares to be issued pursuant to the Placing to trading on AIM. Except as otherwise set forth herein, it is anticipated that dealings in the Placing Shares will commence on AIM at 8.00 a.m. on 18 May 2017 for normal account settlement and that Admission will become effective on that date. The Placing Shares will not be admitted to trading on any stock exchange other than AIM.

## **Participation in and principal terms of the Placing**

- 1 Each Placee will be deemed to have read these Terms and Conditions in their entirety.
- 2 Peel Hunt is acting for the Company and no one else in connection with the Placing and will not regard any other person (whether or not a recipient of these Terms and Conditions) as a client in relation to the Placing and to the fullest extent permitted by law and applicable Financial Conduct Authority rules, neither Peel Hunt nor any of its affiliates will have any liability to Placees or to any person other than the Company in respect of the Placing.
- 3 The Placing Shares will rank equally in all respects with the Existing Ordinary Shares on Admission, including the right to receive dividends or other distributions, if any.
- 4 Participation in the Placing will only be available to persons who may lawfully be, and are, invited to participate by Peel Hunt. Peel Hunt and its affiliates may participate in the Placing as principal.
- 5 The Placing Price will be a fixed price of 101 pence per Placing Share.
- 6 An offer to acquire Placing Shares, which has been communicated by a prospective Placee to Peel Hunt which has not been withdrawn or revoked prior to publication of this document, shall not be capable of withdrawal or revocation immediately following the publication of this document without the consent of Peel Hunt.
- 7 Each Placee will have an immediate, separate, irrevocable and binding obligation, owed to Peel Hunt, to pay in cleared funds immediately on the settlement date, in accordance with the registration and settlement requirements set out below, an amount equal to the product of the Placing Price and the number of Placing Shares such Placee has agreed to take up. Peel Hunt will procure the allotment of the Placing Shares to each Placee following each Placee's payment to Peel Hunt of such amount.
- 8 Irrespective of the time at which a Placee's allocation pursuant to the Placing is confirmed, settlement for all Placing Shares to be acquired pursuant to the Placing will be required to be made at the times and on the basis explained below under "Registration and Settlement".
- 9 To the fullest extent permissible by law, neither the Company, Peel Hunt nor any of their respective affiliates, directors or employees shall have any liability to Placees (or to any other person whether acting on behalf of a Placee or otherwise) under these Terms and Conditions. In particular, neither the Company, Peel Hunt nor any of their respective affiliates shall have any liability (including to the fullest extent permissible by law, any fiduciary duties) in respect of Peel Hunt's conduct of the Placing. Each Placee acknowledges and agrees that the Company is responsible for the allotment of the Placing Shares to the Placees and Peel Hunt shall have no liability to the Placees for the failure of the Company to fulfil that obligation.

## **Conditions**

Each Placee's Placing Participation is in all respects conditional upon:

- 1 the Placing Agreement becoming unconditional in all respects and not having been terminated in accordance with its terms; and
- 2 Admission having become effective,

in each case by 8.00 a.m. on 18 May 2017 or such later time and/or date as the Company and Peel Hunt agree, but in any event being no later than 8.30 a.m. on 1 June 2017.

Pursuant to the Placing Agreement, Peel Hunt has agreed on behalf of and as agent for the Company, to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price.

The Placing Agreement contains certain warranties and indemnities from the Company, the Directors and the Senior Managers for the benefit of Peel Hunt. Peel Hunt may, in its absolute discretion, terminate the Placing Agreement if prior to, Admission, *inter alia*, a force majeure event occurs, there is a material breach of any of the undertakings or any fact or circumstance arises which causes a warranty to become untrue or inaccurate in any material respect. The exercise by Peel Hunt of any right of termination or any right of waiver exercisable by Peel Hunt contained in the Placing Agreement or under the Terms and Conditions set out herein is within the absolute discretion of Peel Hunt and it will not have any liability to any Placee whatsoever in connection with any decision to exercise or not exercise any such rights.

If (i) any of the conditions in the Placing Agreement are not satisfied (or, where relevant, waived by Peel Hunt) or (ii) the Placing Agreement is terminated or (iii) the Placing Agreement does not otherwise become unconditional in all respects, the Placing will not proceed and all funds delivered by Placees to Peel Hunt will be returned to them at their risk without interest, and their rights and obligations hereunder shall cease and determine at such time and no claim shall be made by them in respect thereof.

None of the Company, the Directors or Peel Hunt owes any fiduciary duty to any Placee in respect of the warranties, undertakings or indemnities in the Placing Agreement.

### **Right to terminate under the Placing Agreement**

Peel Hunt is entitled in its absolute discretion, at any time before Admission and after such consultation with the Company as the circumstances allow, to terminate the Placing Agreement by giving notice to the Company in certain circumstances, including, *inter alia*:

1. in the opinion of Peel Hunt (acting in good faith), the warranties given by the Company to Peel Hunt are not true and accurate or have become misleading (or would not be true and accurate or would be misleading if they were repeated at any time before Admission) by reference to the facts subsisting at the time when the notice referred to above is given, in each case in a way that is material in the context of the Placing and/or Admission; or
2. in the opinion of Peel Hunt (acting in good faith), the Company fails to comply with any of its obligations under the Placing Agreement and that failure is material in the context of the Placing and/or Admission; or
3. in the opinion of Peel Hunt (acting in good faith), there has been a development or event (or any development or event involving a prospective change of which the Company is or might reasonably be expected to be, aware) which will or is likely to have a material adverse effect on the operations, condition (financial, operational, legal or otherwise), prospects, management, results of operations, financial position, business or general affairs of the Company or the Group respectively, whether or not foreseeable and whether or not arising in the ordinary course of business; or
4. there has been a change in national or international financial, political, economic or stock market conditions (primary or secondary); an incident of terrorism, outbreak or escalation of hostilities, war, declaration of martial law or any other calamity or crisis; a suspension or material limitation in trading of securities generally on any stock exchange; any change in currency exchange rates or exchange controls or a disruption of settlement systems or a material disruption in commercial banking, in each case as would be likely in the opinion of Peel Hunt (acting in good faith) to prejudice the success of the Placing.

The rights and obligations of the Placees shall terminate only in the circumstances described in these Terms and Conditions and in the Placing Agreement and will not be subject to termination by the Placee or any prospective Placee at any time or in any circumstances. By participating in the Placing, Placees agree that the exercise by Peel Hunt of any right of termination or other discretion under the Placing Agreement shall be within the absolute discretion of Peel Hunt, and that it need not make any reference to Placees and that it shall have no liability to Placees whatsoever in connection with any such exercise or decision not to exercise. Placees will have no rights against Peel Hunt, the Company, or any of their respective affiliates, directors or employees under the Placing Agreement pursuant to the Contracts (Rights of Third Parties) Act 1999 (as amended).



## **Registration and settlement**

Settlement of transactions in the Placing Shares (ISIN: GB00BYWMFT51) following Admission will take place within the CREST system provided that, subject to certain exceptions, Peel Hunt reserves the right to require settlement for, and delivery of, the Placing Shares (or a portion thereof) to Placees by such other means that it deems necessary if delivery or settlement is not possible or practicable within CREST within the timetable set out in this document or would not be consistent with the regulatory requirements in any Placee's jurisdiction.

Each Placee allocated Placing Shares in the Placing will be sent a trade confirmation or contract note stating the number of Placing Shares allocated to it at the Placing Price, the aggregate amount owed by such Placee to Peel Hunt (as agent for the Company) and settlement instructions. Each Placee agrees that it will do all things necessary to ensure that delivery and payment is completed in accordance with either the CREST or certificated settlement instructions that it has in place with Peel Hunt.

It is expected that settlement in respect of the Placing Shares will be on 18 May 2017 on a T+2 basis in accordance with the instructions set out in the trade confirmation.

Interest is chargeable daily on payments not received from Placees on the due date in accordance with the arrangements set out above at the rate of two percentage points above LIBOR as determined by Peel Hunt.

Each Placee is deemed to agree that, if it does not comply with these obligations, Peel Hunt may sell any or all of the Placing Shares allocated to that Placee on such Placee's behalf and retain from the proceeds, for Peel Hunt's account and benefit (as agent for the Company), an amount equal to the aggregate amount owed by the Placee plus any interest due. The relevant Placee will, however, remain liable and shall indemnify Peel Hunt (as agent for the Company) on demand for any shortfall below the aggregate amount owed to it by the Placee and may be required to bear any stamp duty or stamp duty reserve tax or securities transfer tax (together with any interest or penalties) which may arise upon the sale of such Placing Shares on such Placee's behalf. By communicating a bid for Placing Shares to Peel Hunt, each Placee confers on Peel Hunt all such authorities and powers necessary to carry out any such sale and agrees to ratify and confirm all actions which Peel Hunt lawfully takes or causes to be lawfully taken in pursuance of such sale.

If Placing Shares are to be delivered to a custodian or settlement agent, Placees should ensure that the trade confirmation or contract note is copied and delivered immediately to the relevant person within that organisation.

Insofar as Placing Shares are registered in a Placee's name or that of its nominee or in the name of any person for whom a Placee is contracting as agent or that of a nominee for such person, such Placing Shares should, subject as provided below, be so registered free from any liability to UK stamp duty or stamp duty reserve tax or securities transfer tax. Placees will not be entitled to receive any fee or commission in connection with the Placing.

## **Further Terms, Confirmations and Warranties**

In accepting the Placing Participation, each Placee (and any person acting on such Placee's behalf) makes the following confirmations, acknowledgements, warranties and/or undertakings to Peel Hunt and the Company, namely that each Placee (and any person acting on such Placee's behalf):

1. represents and warrants that it has read these Terms and Conditions in its entirety and acknowledges that its participation in the Placing will be governed by the terms, conditions, representations, warranties, acknowledgements, agreements and undertakings of these Terms and Conditions.
2. acknowledges and agrees that its acceptance of its Placing Participation on the terms set out in this document and these Terms and Conditions is legally binding, irrevocable and is not capable of termination or rescission by it in any circumstances and that it has the funds available to pay the Placing Price in respect of the Placing Shares for which it has given a commitment under the Placing and it acknowledges, agrees and undertakes that it will pay the total Placing Price in respect of its participation in the Placing.
3. confirms, represents and warrants that it has not relied on, received nor requested nor does it have any need to receive, any prospectus, offering memorandum, listing particulars or any other

document, other than this document describing the business and affairs of the Company which has been prepared for delivery to prospective investors in order to assist it in making an investment decision in respect of the Placing Shares, any information given or any representations, warranties agreements or undertakings (express or implied), written or oral, or statements made at any time by the Company or Peel Hunt or by any subsidiary, holding company, branch or associate of the Company, Peel Hunt or any of their respective officers, directors, agents, employees or advisers, or any other person in connection with the Placing and that in making its application under the Placing it will be relying solely on the information contained in this document and these Terms and Conditions and it will not be relying on any agreements by the Company and its subsidiaries or Peel Hunt or any director, employee or agent of the Company or Peel Hunt other than as expressly set out in this document and these Terms and Conditions for which neither Peel Hunt nor any of its directors and/or employees and/or person(s) acting on behalf of any of them shall to the maximum extent permitted under law have any liability except in the case of fraud. Each Placee further confirms, represents and warrants that it has reviewed this document, including the discussion of the conditions of the Placing Agreement, commissions to Peel Hunt, and risks related to the Company, its operations and the Ordinary Shares.

4. confirms, represents and warrants that it has neither received nor relied on any confidential price sensitive information concerning the Company in accepting this invitation to participate in the Placing.
5. confirms, represents and warrants that it is sufficiently knowledgeable to understand and be aware of the risks associated with, and other characteristics of, the Placing Shares and, among others, of the fact that it may not be able to resell the Placing Shares except in accordance with certain limited exemptions under applicable securities legislation and regulatory instruments.
6. confirms, represents and warrants, if a company, that it is a valid and subsisting company and has all the necessary corporate capacity and authority to execute its obligations in connection with its Placing Participation.
7. agrees that the exercise by Peel Hunt or the Company of any right of termination or any right of waiver exercisable by Peel Hunt contained in the Placing Agreement or the exercise by Peel Hunt or the Company of any discretion thereunder is within the absolute discretion of Peel Hunt or the Company (as the case may be) and neither Peel Hunt nor the Company will have any liability to any person whatsoever in connection with any decision to exercise or not exercise any such rights. Each Placee acknowledges that if (i) any of the conditions in the Placing Agreement are not satisfied (or, where relevant, waived) or (ii) the Placing Agreement is terminated or (iii) the Placing Agreement does not otherwise become unconditional in all respects, the Placing will lapse and its rights and obligations hereunder shall cease and determine at such time and no claim shall be made by it in respect thereof.
8. accepts that if the Placing does not proceed or such Placing Shares are not admitted to trading on AIM for any reason whatsoever, then neither Peel Hunt nor the Company nor any of their respective affiliates, nor persons controlling, controlled by or under common control with any of them nor any of their respective employees, agents, officers, members, stockholders, partners or representatives, shall have any liability whatsoever to it or any other person.
9. acknowledges and agrees that Peel Hunt is not acting for, and that it does not expect Peel Hunt to have any duties or responsibilities towards, it for providing protections afforded to its customers or clients under the Financial Conduct Authority Conduct of Business Source Book or advising it with regard to its Placing Participation and that it is not, and will not be, a customer or client of Peel Hunt as defined by the Financial Conduct Authority Conduct of Business Source Book. Likewise, Peel Hunt will not treat any payment by it pursuant to these Terms and Conditions as client money governed by the Financial Conduct Authority Conduct of Business Source Book.
10. confirms, represents and warrants that it may lawfully acquire the Placing Shares comprising its Placing Participation and that it has complied with and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the Placing Shares in, from or otherwise involving, the United Kingdom.
11. acknowledges and agrees that its agreement with Peel Hunt to acquire Placing Shares, whether by telephone or otherwise is a legally binding contract and the Terms and Conditions of each

Places Placing Participation and any non-contractual obligation therefrom will be governed by and construed in accordance with the laws of England and Wales to the exclusive jurisdiction of whose courts it irrevocably agree to submit.

12. acknowledges and agrees that time shall be of the essence as regards obligations pursuant to these Terms and Conditions.
13. acknowledges and agrees that it is the responsibility of any person outside of the United Kingdom wishing to subscribe for Placing Shares to satisfy itself that, in doing so, it complies with the laws of any relevant territory in connection with such subscription or purchase and that it obtains any requisite governmental or other consents and observes any other applicable formalities.
14. confirms, represents and warrants that neither it nor the beneficial owner of such Placing Shares will be a resident of Canada, Australia, New Zealand, Japan or the Republic of South Africa.
15. acknowledges and agrees that the Placing Shares have not been and will not be registered under the laws, or with any securities regulatory authority, of any province of Canada, Australia, Japan, the Republic of South Africa or New Zealand and, subject to limited exceptions, the Placing Shares may not be offered, sold, transferred or delivered, directly or indirectly into any province of Canada, Japan, Australia, the Republic of South Africa or New Zealand or their respective territories and possessions.
16. warrants that it has complied with all relevant laws of all relevant territories, obtained all requisite governmental or other consents which may be required in connection with its Placing Participation, complied with all requisite formalities and that it has not taken any action or omitted to take any action which will or may result in Peel Hunt, the Company or any of their respective directors, officers, agents, employees, affiliates or advisers acting in breach of the legal or regulatory requirements of any territory in connection with the Placing or its application.
17. acknowledges and agrees that its acquisition of Placing Shares does not trigger, in the jurisdiction in which it is resident or located: (i) any obligation to prepare or file a prospectus or similar document or any other report with respect to such subscription; (ii) any disclosure or reporting obligation of the Company; or (iii) any registration or other obligation on the part of the Company.
18. warrants that in accepting its Placing Participation it is not applying for registration as, or as a nominee or agent for, a person who is or may be a person mentioned in sections 67 to 72 inclusive and sections 93 to 97 inclusive of the Finance Act 1986 (depository receipts and clearance services) and that the Placing Shares are not being acquired in connection with arrangements to issue depository receipts or to transfer Placing Shares into a clearance system.
19. represents and warrants that: (i) it has complied with its obligations under the Criminal Justice Act 1993 and the Market Abuse Regulation; (ii) in connection with money laundering and terrorist financing, it has complied with its obligations under the Proceeds of Crime Act 2002 (as amended), the Terrorism Act 2000 (as amended), the Terrorism Act 2006 and the Money Laundering Regulations 2007; and (iii) it is not a person: (a) with whom transactions are prohibited under the Foreign Corrupt Practices Act of 1977 or any economic sanction programmes administered by, or regulations promulgated by, the Office of Foreign Assets Control of the U.S. Department of the Treasury; (b) named on the Consolidated List of Financial Sanctions Targets maintained by HM Treasury of the United Kingdom; or (c) subject to financial sanctions imposed pursuant to a regulation of the European Union or a regulation adopted by the United Nations (together, the **Regulations**); and, if making payment on behalf of a third party, that satisfactory evidence has been obtained and recorded by it to verify the identity of the third party as required by the Regulations and it has obtained all governmental and other consents (if any) which may be required for the purpose of, or as a consequence of, such subscription and payment, and it will provide promptly to Peel Hunt such evidence, if any, as to the identity or location or legal status of any person which Peel Hunt may request from it in connection with the Placing (for the purpose of complying with such Regulations or ascertaining the nationality of any person or the jurisdiction(s) to which any person is subject or otherwise) in the form and manner requested by Peel Hunt on the basis that any failure by it to do so may result in the number of Placing Shares that are to be subscribed by it or at its direction pursuant to the Placing being reduced to such number, or to nil, as Peel Hunt may decide in its sole discretion.
20. if a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, represents and warrants that the Placing Shares subscribed by it in the Placing will not be

acquired on a non-discretionary basis on behalf of, nor will they be acquired with a view to their offer or resale to, persons in a Member State of the European Economic Area which has implemented the Prospectus Directive other than a “qualified investor” (as defined in the Prospectus Directive), or in circumstances in which the prior consent of Peel Hunt has been given to the offer or resale.

21. represents and warrants that it has not offered or sold and will not offer or sell any Placing Shares to persons in the European Economic Area prior to Admission except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business or otherwise in circumstances which have not resulted in and which will not result in an offer to the public in any member state of the European Economic Area within the meaning of the Prospectus Directive (including any relevant implementing measure in any member state).
22. represents and warrants that it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) relating to the Placing Shares in circumstances in which section 21(1) of FSMA does not require approval of the communication by an authorised person.
23. where it is acquiring Placing Shares for one or more managed accounts, represents and warrants that it is authorised in writing by each managed account: (a) to acquire the Placing Shares for each managed account; (b) to make on its behalf the representations, warranties, acknowledgements, undertakings and agreements in these Terms and Conditions and Admission Document of which it forms part; and (c) to receive on its behalf any trade confirmation or contract note relating to the Placing in the form provided to it by Peel Hunt.
24. undertakes that it (and any person acting on its behalf) will make payment to Peel Hunt for the Placing Shares allocated to it in accordance with these Terms and Conditions on the due time and date set out herein, failing which the relevant Placing Shares may be placed with other subscribers or sold as Peel Hunt may in its sole discretion determine and without liability to it and it will remain liable and will indemnify Peel Hunt or the Company (as the case may be) on demand for any shortfall below the net proceeds of such sale and the placing proceeds of such Placing Shares and may be required to bear the liability for any stamp duty or stamp duty reserve tax or security transfer tax (together with any interest or penalties due pursuant to or referred to in these Terms and Conditions) which may arise upon the placing or sale of its Placing Shares on its behalf.
25. acknowledges and agrees that all times and dates in this document and these Terms and Conditions may be subject to amendment and Peel Hunt shall notify it of any such amendments.
26. acknowledges and agrees that its commitment to subscribe for Placing Shares on the terms set out herein and in the trade confirmation or contract note will continue notwithstanding any amendment that may in future be made to the terms of the Placing and that Placees will have no right to be consulted or require that their consent be obtained with respect to the Company’s conduct of the Placing.
27. acknowledges that any of its monies held or received by Peel Hunt will not be subject to the protections conferred by the Financial Conduct Authority’s Client Money Rules.
28. acknowledges and agrees that the Placing Shares have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and are being offered and sold only outside the United States in “offshore transactions” (as defined in Regulation S). Accordingly, the Placing Shares may not be offered, sold, transferred or delivered directly or indirectly in or into the United States, except pursuant to an effective registration statement under the US Securities Act or an exemption from the registration requirements of the US Securities Act, and, in connection with any such transfer, the Company will have the right to obtain, as a condition to transfer, a legal opinion of counsel, in a form and by counsel reasonably satisfactory to the Company, that no such US Securities Act registration is or will be required along with appropriate certifications by the transferee as to appropriate matters. No representation has been made as to the availability of any exemption under the US Securities Act for the reoffer, resale, transfer or delivery of the Placing Shares.

29. represents and warrants that it has not distributed, forwarded, transferred or otherwise transmitted this document or any other presentation or offering materials concerning the Placing Shares within the United States, nor will it do any of the foregoing. Each Placee understands that the information in this document, including financial information, may be materially different from any disclosure that would be provided in a registered offering in the United States.
30. agrees, represents and warrants as follows:
  - 30.1 it is acquiring the Placing Shares in an “offshore transaction” (as defined in Regulation S);
  - 30.2 it will not offer or sell the Placing Shares in the United States absent registration or an exemption from registration under the US Securities Act;
  - 30.3 it is not acquiring the Placing Shares as a result of any form of “directed selling efforts” (as defined in Rule 902 under the US Securities Act); and
  - 30.4 if it is in the United Kingdom, it is a person falling within the exemption contained in section 86(1)(a) of FSMA or falling within one or more of the categories of persons set out in Article 19 (Investment Professionals) or Article 49 (High net worth companies, unincorporated associations etc.) of the Order.
31. in making an investment decision with respect to the Placing Shares, for itself and on behalf of any person for whose account it is acquiring the Placing Shares, it represents and warrants that it has:
  - 31.1 not relied on any representation, warranty or statement made by the Company, Peel Hunt or any of their respective affiliates, directors or employees;
  - 31.2 the ability to bear the economic risk of its investment in the Placing Shares and have no need for liquidity with respect to its investment in the Placing Shares;
  - 31.3 such knowledge and experience in financial and business matters that it is capable of evaluating the merits, risks and suitability of investing in the Placing Shares, and is able to sustain a complete loss of any investment in the Placing Shares;
  - 31.4 had access to such financial and other information concerning the Company and the Placing Shares as it deems necessary in connection with its decision to purchase the Placing Shares; and
  - 31.5 investigated independently and made its own assessment and satisfied itself concerning the relevant tax, legal, currency and other economic considerations relevant to its investment in the Placing Shares, including any federal, state and local tax consequences, affecting it in connection with its purchase and any subsequent disposal of the Placing Shares.
32. represents and warrants that, if a pension fund or investment company, the purchase of Placing Shares is in full compliance with all applicable laws and regulation.

Each Placee acknowledges that the Company, Peel Hunt, any transfer agent, any distributors or dealers and their respective affiliates and others will rely on the truth and accuracy of the foregoing warranties, acknowledgements, representations, undertakings and agreements, and it agrees to indemnify on an after-tax basis and hold harmless the Company, Peel Hunt and their respective affiliates, officers, directors, agents, employees or advisers (the **Indemnified Persons**) from and against any and all costs, claims losses, damages, liabilities or expenses, including legal fees and expenses (including any VAT thereon), which an Indemnified Person may incur by reason of, or in connection with, any representation, warranty, acknowledgement, agreement or undertaking made herein not having been true when made, any breach thereof or any misrepresentation.

In addition, Placees should note that they will be liable for any stamp duty and all other stamp, issue, securities, transfer, registration, documentary or other duties or taxes (including any interest, fines or penalties relating thereto) payable outside the UK by them or any other person on the subscription by them of any Placing Shares or the agreement by them to subscribe for any Placing Shares.

The rights and remedies of Peel Hunt and the Company under these Terms and Conditions are in addition to any rights and remedies which would otherwise be available to each of them and the exercise or partial exercise or partial exercise of one will not prevent the exercise of others.

Each Placee further agrees that these Terms and Conditions shall survive after completion of the Placing.

**PART VI**  
**ADDITIONAL INFORMATION**

**1 The Company**

- 1.1 The Company was incorporated and registered as a private limited company in England and Wales under the Act on 13 October 2014 with the name eve Sleep Limited and with registered number 09261636. The Company was re-registered as a public company on 12 May 2017 and by special resolution changed its name to eve Sleep plc.
- 1.2 The Company is a public limited company and, accordingly, the liability of its members will be limited. The Company and its activities and operations are principally regulated by the Act and the regulations made thereunder.
- 1.3 The Company is domiciled in England and Wales and its head and registered office is at Interchange Atrium, The Stables Market, Chalk Farm Road, Camden, London, England, NW1 8AH. The telephone number of the Company is +44(0)20 3355 4754.

**2 Share Capital**

- 2.1 The Company was incorporated on 13 October 2014 with a share capital comprised of 2 ordinary shares with a nominal value of 100 pence each.
- 2.2 The following changes to the Company's share capital have taken place since incorporation:
- (a) On 21 November 2014:
- (i) the 2 ordinary shares with a nominal value of 100 pence each were re-designated and sub-divided into 200 ordinary A shares of 1 penny each;
  - (ii) 9,190 ordinary A shares with a nominal value of 1 penny each were allotted; and
  - (iii) 610 ordinary B shares with a nominal value of 1 penny each were allotted,
- with the resulting total share capital being 9,390 ordinary A shares of 1 penny each and 610 ordinary B shares with a nominal value of 1 penny each.
- (b) On 6 January 2015, 75 ordinary B shares with a nominal value of 1 penny each were allotted with the resulting total share capital being 9,390 ordinary A shares of 1 penny each and 685 ordinary B shares with a nominal value of 1 penny each.
- (c) On 16 February 2015, 2,490 ordinary A shares with a nominal value of 1 penny each were allotted with the resulting total share capital being 11,880 ordinary A shares of 1 penny each and 685 ordinary B shares with a nominal value of 1 penny each.
- (d) On 2 March 2015, the 11,880 ordinary A shares of 1 penny each were re-designated as 11,880 ordinary shares of 1 penny each with the resulting total share capital being 11,880 ordinary shares of 1 penny each and 685 ordinary B shares with a nominal value of 1 penny each.
- (e) On 5 March 2015, 1,660 preferred shares with a nominal value of 1 penny each were allotted with the resulting total share capital being 11,880 ordinary shares of 1 penny each, 685 ordinary B shares with a nominal value of 1 penny each and 1,660 preferred shares with a nominal value of 1 penny each.
- (f) On 18 March 2015, 266 preferred shares with a nominal value of 1 penny each were allotted with the resulting total share capital being 11,880 ordinary shares of 1 penny each, 685 ordinary B shares with a nominal value of 1 penny each and 1,926 preferred shares with a nominal value of 1 penny each.
- (g) On 30 April 2015:
- (i) 166 ordinary shares of 1 penny each were allotted; and
  - (ii) 166 preferred shares with a nominal value of 1 penny each were allotted,
- with the resulting total share capital being 12,046 ordinary shares of 1 penny each, 685 ordinary B shares with a nominal value of 1 penny each and 2,092 preferred shares with a nominal value of 1 penny each.

- (h) On 15 May 2015, 1,494 preferred shares with a nominal value of 1 penny each were allotted with the resulting total share capital being 12,046 ordinary shares of 1 penny each, 685 ordinary B shares with a nominal value of 1 penny each and 3,586 preferred shares with a nominal value of 1 penny each.
- (i) On 25 August 2015:
- (i) 2,209 ordinary shares of 1 penny each re-designated into 2,209 deferred shares of 1 penny each and were bought back by the Company and held in treasury; and
  - (ii) 2,209 deferred shares held in treasury were re-designated into 2,209 ordinary shares of 1 penny each,
- with the resulting total remaining unchanged, being 12,046 ordinary shares of 1 penny each, 685 ordinary B shares with a nominal value of 1 penny each and 3,586 preferred shares with a nominal value of 1 penny each.
- (j) On 22 October 2015:
- (i) 12,046 ordinary shares of 1 penny each were sub-divided into 1,204,600 Previous Ordinary Shares;
  - (ii) 685 ordinary B shares with a nominal value of 1 penny each were sub-divided into 68,500 Ordinary B Shares;
  - (iii) 3,586 preferred shares with a nominal value of 1 penny each were sub-divided into 358,600 Preferred Shares;
  - (iv) 125,314 Preferred A Shares were allotted; and
  - (v) 125,314 Ordinary A Shares each were allotted,
- with the resulting total share capital being 1,204,600 Previous Ordinary Shares, 68,500 Ordinary B Shares, 358,600 Preferred Shares, 125,314 Preferred A Shares and 125,314 Ordinary A Shares.
- (k) On 17 November 2015:
- (i) 187,969 Preferred A Shares were allotted; and
  - (ii) 187,969 Ordinary A Shares each were allotted,
- with the resulting total share capital being 1,204,600 Previous Ordinary Shares, 68,500 Ordinary B Shares, 358,600 Preferred Shares, 313,283 Preferred A Shares and 313,283 Ordinary A Shares.
- (l) On 22 March 2016:
- (i) 74,981 Preferred A Shares were allotted; and
  - (ii) 297,846 Ordinary A Shares each were allotted,
- with the resulting total share capital being 1,204,600 Previous Ordinary Shares, 68,500 Ordinary B Shares, 358,600 Preferred Shares, 388,264 Preferred A Shares and 611,129 Ordinary A Shares.
- (m) On 15 July 2016, 42,894 Preferred A Shares were allotted with the resulting total share capital being 1,204,600 Previous Ordinary Shares, 68,500 Ordinary B Shares, 358,600 Preferred Shares, 431,158 Preferred A Shares and 611,129 Ordinary A Shares.
- (n) On 18 August 2016, 28,369 Preferred A Shares were allotted with the resulting total share capital being 1,204,600 Previous Ordinary Shares, 68,500 Ordinary B Shares, 358,600 Preferred Shares, 459,527 Preferred A Shares and 611,129 Ordinary A Shares.
- (o) On 18 September 2016, 28,369 Preferred A Shares were allotted with the resulting total share capital being 1,204,600 Previous Ordinary Shares, 68,500 Ordinary B Shares, 358,600 Preferred Shares, 487,896 Preferred A Shares and 611,129 Ordinary A Shares.
- (p) On 27 September 2016, 153,300 Previous Ordinary Shares were cancelled with the resulting total share capital being 1,051,300 Previous Ordinary Shares, 68,500 Ordinary

B Shares, 358,600 Preferred Shares, 487,896 Preferred A Shares and 611,129 Ordinary A Shares.

- (q) On 30 September 2016, 468,085 Preferred A Shares were allotted with the resulting total share capital being 1,051,300 Previous Ordinary Shares, 68,500 Ordinary B Shares, 358,600 Preferred Shares, 955,981 Preferred A Shares and 611,129 Ordinary A Shares.
- (r) On 18 November 2016:
  - (i) 28,369 Preferred A Shares were allotted; and
  - (ii) 127,651 Ordinary A Shares each were allotted,  
with the resulting total share capital being 1,051,300 Previous Ordinary Shares, 68,500 Ordinary B Shares, 358,600 Preferred Shares, 984,350 Preferred A Shares and 738,780 Ordinary A Shares.
- (s) On 30 November 2016, 165,412 Ordinary C Shares were allotted with the resulting total share capital being 1,051,300 Previous Ordinary Shares, 68,500 Ordinary B Shares, 358,600 Preferred Shares, 984,350 Preferred A Shares, 738,780 Ordinary A Shares and 165,412 Ordinary C Shares.
- (t) On 18 January 2017, 28,369 Preferred A Shares were allotted with the resulting total share capital being 1,051,300 Previous Ordinary Shares, 68,500 Ordinary B Shares, 358,600 Preferred Shares, 1,012,719 Preferred A Shares, 738,780 Ordinary A Shares and 165,412 Ordinary C Shares.
- (u) On 15 March 2017, 206,773 Preferred A Shares were allotted with the resulting total share capital being 1,051,300 Previous Ordinary Shares, 68,500 Ordinary B Shares, 358,600 Preferred Shares, 1,219,492 Preferred A Shares, 738,780 Ordinary A Shares and 165,412 Ordinary C Shares.
- (v) On 18 March 2017, 28,369 Preferred A Shares were allotted with the resulting total share capital being 1,051,300 Previous Ordinary Shares, 68,500 Ordinary B Shares, 358,600 Preferred Shares, 1,247,861 Preferred A Shares, 738,780 Ordinary A Shares and 165,412 Ordinary C Shares.
- (w) On 20 April 2017, 28,368 Preferred A Shares were allotted with the resulting total share capital being 1,051,300 Previous Ordinary Shares, 68,500 Ordinary B Shares, 358,600 Preferred Shares, 1,276,229 Preferred A Shares, 738,780 Ordinary A Shares and 165,412 Ordinary C Shares.
- (x) On 28 April 2017, the Company cancelled 220,900 Previous Ordinary Shares held in treasury with the resulting total share capital being 830,400 Previous Ordinary Shares, 68,500 Ordinary B Shares, 358,600 Preferred Shares, 1,276,229 Preferred A Shares, 738,780 Ordinary A Shares and 165,412 Ordinary C Shares.

2.3 In order for the Company to be re-registered as a public company, the Company:

- (a) on 24 April 2017, reduced its share premium account from £21,124,910 to £1,085,947 by the cancellation of £20,038,963 of the amount standing to the credit of such account, in order to create distributable reserves to ensure that the Company satisfies the net asset requirement for a public company; that its net assets are more than its paid up share capital and undistributable reserves;
- (b) on 12 May 2017, issued 859,480,250 bonus shares to meet the minimum nominal share capital requirements for a public company and consolidated the share capital of the Company so that shares of 0.01 pence each in the capital of the Company of every class were consolidated into shares of 0.1 pence each, with the resulting total share capital being 20,843,040 ordinary shares of 0.1 pence each, 1,719,350 ordinary B shares of 0.1 pence each, 9,000,860 preferred shares of 0.1 pence each, 32,033,347 preferred A shares of 0.1 pence each, 18,543,378 ordinary A shares of 0.1 pence each and 4,151,841 ordinary C shares of 0.1 pence each.

2.4 On 12 May 2017, 4,151,841 ordinary C shares of 0.1 pence each were allotted, following the exercise of options over ordinary C shares with the resulting total share capital being 20,843,040 ordinary shares of 0.1 pence each, 1,719,350 ordinary B shares of 0.1 pence each,



9,000,860 preferred shares of 0.1 pence each, 32,033,347 preferred A shares of 0.1 pence each, 18,543,378 ordinary A shares of 0.1 pence each and 8,303,682 ordinary C shares of 0.1 pence each.

- 2.5 The Company was re-registered as a public company on 12 May 2017 and by special resolution changed its name to eve Sleep plc.
- 2.6 Immediately prior to Admission all shares in the Company will automatically convert to Ordinary Shares in accordance with Articles 10, 12A and 12B of the Company's articles of association in force at the relevant time with the resulting total share capital being 90,443,657 Ordinary Shares immediately prior to Admission (ignoring the exercise of options in connection with Admission).
- 2.7 Options over 659,552 Previous Ordinary Shares and 165,412 C Ordinary Shares were granted in 2017. The options over the 659,552 Previous Ordinary Shares, to the extent unexercised at Admission, will remain in place following Admission but will have been adjusted, in accordance with the terms of the option agreements, to take into account the Share Capital Reorganisation such that, prior to any exercise of options in connection with Admission, there will be options over 16,554,755 Ordinary Shares (ignoring for these purposes the options granted on 12 May 2017 as described in the paragraph entitled "Share incentive arrangements" in Part I of this document). This adjustment to the options has been communicated to the holders of the options by a letter dated 21 April 2017.
- 2.8 The Placing Shares to be issued by the Company will be issued pursuant to shareholder resolutions passed on 12 May 2017 authorising the directors to issue and allot up to an additional 33.33 per cent. of issued share capital (after the exercise of options in connection with Admission) free from pre-emption.

#### *Share Capital Reconciliation*

The Company's share capital as at the date of this document is as follows:

<u>Class of share (excluding options)</u>	<u>Number of Shares</u>	<u>Nominal Value (£)</u>
Ordinary shares of 0.1 pence each . . . . .	20,843,040	20,843.04
Ordinary B shares of 0.1 pence each . . . . .	1,719,350	1,719.35
Preferred shares of 0.1 pence each . . . . .	9,000,860	9,000.86
Preferred A shares of 0.1 pence each . . . . .	32,033,347	32,033.35
Ordinary A shares of 0.1 pence each . . . . .	18,543,378	18,543.38
Ordinary C shares of 0.1 pence each . . . . .	8,303,682	8,303.68
<b>Total (excluding options)</b> . . . . .	<b>90,443,657</b>	<b>90,443.66</b>
Shares under option <sup>(1)</sup> . . . . .	16,554,755	16,554.76
<b>Total (including options)</b> . . . . .	<b>106,998,412</b>	<b>106,998.41</b>

(1) Ignoring for these purposes the options granted on 12 May 2017 (as described in the paragraph entitled "Share incentive arrangements" in Part I of this document).

- 2.9 The Company's share capital immediately following Admission will be as follows:

<u>Class of share</u>	<u>Number of Shares (excluding options)</u>	<u>Nominal Value (£) (excluding options)</u>
Ordinary Shares (excluding Placing Shares) . . . . .	103,762,233	103,762.23
Placing Shares . . . . .	34,587,411	34,587.41
<b>Total (excluding options)</b> . . . . .	<b>138,349,644</b>	<b>138,349.64</b>
Shares under option . . . . .	6,450,708	6,450.71
<b>Total (including options)</b> . . . . .	<b>144,800,352</b>	<b>144,800.35</b>

- 2.10 By virtue of written resolutions passed by the requisite number of Shareholders on 12 May 2017, conditional upon Admission becoming effective:

- (a) the directors were generally and unconditionally authorised for the purpose of section 551 of the Act to exercise all powers of the Company to allot Ordinary Shares and grant rights to subscribe or convert any security into Ordinary Shares (such Ordinary Shares and rights to subscribe for or to convert any security into Ordinary Shares being

relevant securities) up to an aggregate nominal amount of £46,111.94 (representing no more than one-third of the Enlarged Ordinary Share Capital) in substitution for all existing authorities to allot, such authorisation to expire upon the earlier of the conclusion of the next annual general meeting and 15 months from the date of Admission (save that the Company may before such expiry make an offer or agreement which would or might require relevant securities allotted, or rights to be granted, after such expiry and the directors may allot relevant securities, in pursuance of such offer or agreement as if the authorisation conferred hereby had not expired); and

- (b) the directors were generally empowered to allot equity securities (as defined in section 560 of the Act) pursuant to the authority referred to in paragraph (a), as if section 561(1) of the Act did not apply to such allotment, provided that the power shall:
- (i) be limited to the allotment of equity securities in connection with an offer of equity securities:
    - (A) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
    - (B) to holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary,and so that the directors of the Company may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with any treasury shares, fractional entitlements or securities represented by depositary receipts, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or the requirements of any regulatory body or stock exchange or any other matter; or
  - (ii) be limited to the allotment of equity securities up to an aggregate nominal amount of £6,917.48 (representing no more than five per cent. of the Enlarged Ordinary Share Capital); and
  - (iii) expire on the earlier of the conclusion of the next annual general meeting and 15 months from the date of Admission (unless renewed, varied or revoked by the Company prior to or on that date), save that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement notwithstanding that the power conferred by the resolution has expired.

2.11 As at the latest practicable date prior to the publication of this document, the Directors did not have any present intention of exercising the authorities referred to in 2.10(a) and (b) above.

2.12 Save as set out in this paragraph 2 or paragraph 7 below:

- (a) no unissued share or loan capital of the Company is under option or is agreed conditionally or unconditionally to be put under option;
- (b) there are no shares in the capital of the Company currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived;
- (c) there are no outstanding convertible securities issued by the Company; and
- (d) no share capital or loan capital of the Company is in issue and no such issue is proposed.

2.13 None of the Ordinary Shares have been sold or made available to the public in conjunction with the application for Admission.

2.14 Save as disclosed in this document, no commission, discounts, brokerages or other specific terms have been granted by the Company in connection with the issue or sale of any of its share or loan capital.

2.15 The Ordinary Shares are in registered form and capable of being held in uncertificated form. Application has been made to Euroclear for the Ordinary Shares to be enabled for dealings

through CREST as a participating security. No temporary documents of title will be issued. It is expected that definitive share certificates will be posted to those Shareholders who have requested the issue of Ordinary Shares in certificated form by 31 May 2017. The International Securities Identification Number (ISIN) for the Ordinary Shares is GB00BYWMFT51.

2.16 The Company has no financing facilities or any material outstanding indebtedness.

### 3 Subsidiary Undertakings

The Company is the holding company of the Group. The following table contains details of the Company's subsidiaries:

<u>Company name</u>	<u>Principal activity</u>	<u>Country of Incorporation</u>	<u>Percentage Ownership (direct)</u>
eve Sleep Inc. . . . .	Trading company	US	100%
eve Sleep SASU . . . . .	Trading company	France	100%

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

The Articles, which were adopted to take effect immediately prior to Admission by a special resolution of the Company passed on 12 May 2017, contain, *inter alia*, provisions to the following effect:

#### 4.1 Objects and purposes

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

#### 4.2 Limited liability

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

#### 4.3 Share rights

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

#### 4.4 Voting rights

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

- (iii) every member present in person or by proxy at a physical general meeting shall, on a poll, have one vote for each share of which he is a holder.

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

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

#### 4.5 Dividends

- (a) Subject to the provisions of the Companies Acts and of the Articles, the Company may by ordinary resolution declare dividends to be paid to members according to their respective rights and interests in the profits of the Company. However, no dividend shall exceed the amount recommended by the Board.
- (b) Subject to the provisions of the Companies Acts, the Board may declare and pay such interim dividends (including any dividend payable at a fixed rate) as appears to the Board to be justified by the profits of the Company available for distribution. If at any time the share capital of the Company is divided into different classes, the Board may pay such interim dividends on shares which rank after shares conferring preferential rights with regard to dividend as well as on shares conferring preferential rights, unless at the time of payment any preferential dividend is in arrears. Provided that the Board acts in good faith, it shall not incur any liability to the holders of shares conferring preferential rights for any loss that they may suffer by the lawful payment of any interim dividend on any shares ranking after those preferential rights.
- (c) Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid but no amount paid up on a share in advance of the date on which a call is payable shall be treated for these purposes as paid up on the share. Subject as aforesaid, all dividends should be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend as from a particular date, it shall rank for dividend accordingly.
- (d) All dividends payable in respect of shares and unclaimed after having been declared and become payable may be invested or otherwise used by the Board for the benefit of the Company until claimed and the payment of any such dividend or other sum into a separate account does not make the Company a trustee in respect thereof. All dividends unclaimed for a period of 12 years after having become payable shall be forfeited and shall cease to remain owing by the Company.
- (e) The Board may, with the authority of an ordinary resolution of the Company, direct that payment of all or part of any dividend declared may be satisfied wholly or partly by the distribution of assets, and in particular of paid up shares or debentures of any other company, or in any one or more of such ways. Where any difficulty arises in regard to such distribution, the Board may settle it as it thinks fit.
- (f) The Board may also, with the prior authority of an ordinary resolution of the Company and subject to such terms and conditions as the Board may determine, offer to holders of Ordinary Shares (excluding any member holding Ordinary Shares as treasury shares)

the right to elect to receive Ordinary Shares, credited as fully paid, instead of the whole (or some part, to be determined by the Board) of any dividend specified by the ordinary resolution.

- (g) Unless the Board otherwise determines, the payment of any dividend or other money that would otherwise be payable in respect of shares will be withheld if such shares represent at least 0.25 per cent. in nominal value of their class and the holder, or any other person whom the Company reasonably believes to be interested in those shares, has been duly served with a notice pursuant to the Companies Acts requiring such person to provide information about his interests in the Company's shares and has failed to supply the required information within 14 days. Furthermore such a holder shall not be entitled to elect to receive shares instead of a dividend.
- (h) If cheques, warrants or orders for dividends in respect of a share sent by the Company to the person entitled thereto through the post or through another method of payment including bank transfers or other electronic means) are returned to the Company or left uncashed during the period for which they are valid or payments by any other method have failed (including where such payments have been rejected or refunded) on two consecutive occasions or, following one occasion, reasonable enquiries have failed to establish any new address or account to be used for the purpose, the Company is not obliged to send any dividends in respect of that share due to that person until he notifies the Company of an address or account to be used for the purpose.

#### 4.6 Transfer of shares

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

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

- (c) Unless the Board otherwise determines, a transfer of shares will not be registered if the transferor or any other person whom the Company reasonably believes to be interested in the transferor's shares has been duly served with a notice pursuant to the Companies Acts requiring such person to provide information about his interests in the Company's

shares, has failed to supply the required information within 14 days and the shares in respect of which such notice has been served represent at least 0.25 per cent. in nominal value of their class, unless the member is not himself in default as regards supplying the information required and proves to the satisfaction of the Board that no person in default as regards supplying such information is interested in any of the shares the subject of the transfer, or unless such transfer is by way of acceptance of a takeover offer, in consequence of a sale on a recognised stock exchange or is in consequence of a bona fide sale to an unconnected party.

- (d) If the Board refuses to register a transfer of a share, it shall send the transferee notice of its refusal, together with its reasons for refusal, as soon as practicable and in any event within two months after the date on which the transfer was lodged with the Company. Any instrument of transfer which the Board refuses to register shall (except in the case of suspected or actual fraud) be returned to the person depositing it.
- (e) No fee shall be charged for the registration of any instrument of transfer or any other document relating to or affecting the title to any share and where registered may be retained by the Company.

#### 4.7 Alteration of share capital

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

#### 4.8 Variation of rights

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

held as treasury shares in accordance with the provisions of the Companies Acts and the Articles.

#### 4.9 General meetings

- (a) The Board may convene a general meeting (which is not an annual general meeting) whenever it thinks fit.
- (b) A general meeting shall be convened by such notice as may be required by law from time to time.
- (c) The notice shall specify whether the meeting is convened as an annual general meeting or any other general meeting, whether the meeting shall be a physical meeting or an electronic meeting, the day, time and place or electronic platform for the meeting and the general nature of the business to be transacted at the meeting. In the case of a meeting convened to pass a special resolution, the notice shall include the text of the resolution and specify the intention to propose the resolution as a special resolution. The notice shall specify that a member entitled to attend and vote is entitled to appoint one or more proxies (provided each proxy is appointed to exercise the rights attached to a different share held by the member) to attend and to speak and vote instead of the member and that a proxy need not also be a member. The notice must be given to the members (other than any who, under the provisions of the Articles or of any restrictions imposed on any shares, are not entitled to receive notice from the Company), to the Directors and the Auditors and to any other person who may be entitled to receive it. The accidental omission to give notice to (due to circumstances beyond the Company's control), or the non-receipt of notice by, any person entitled to receive the same, shall not invalidate the proceedings at the meeting.
- (d) The right of a member to participate in the business of any general meeting shall include without limitation the right to speak, vote, be represented by a proxy or proxies and have access to all documents which are required by the Companies Acts or the Articles to be made available at the meeting.
- (e) A Director shall, notwithstanding that he is not a member, be entitled to attend and speak at any general meeting and at any separate meeting of the holders of any class of shares of the Company. The Chairman of any general meeting may also invite any person to attend and speak at that meeting or at any separate meeting of the holders of any class of shares of the Company if he considers that this will assist in the deliberations of the meeting.
- (f) No business shall be transacted at any general meeting unless a quorum is present. Subject to the Articles, two persons (either members, duly authorised representatives or proxies) entitled to vote upon the business to be transacted at the meeting shall be a quorum. The Chairman of the meeting may, with the consent of the meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn the meeting from time to time (or indefinitely) and from place to place as the meeting shall determine. Where a meeting is adjourned indefinitely, the Board shall fix a time and place for the adjourned meeting. Whenever a meeting is adjourned for 30 days or more or indefinitely, seven clear days' notice at the least, specifying the place or electronic platform, the day and time of the adjourned meeting and the general nature of the business to be transacted, must be given in the same manner as in the case of the original meeting.
- (g) A resolution put to a vote of the meeting shall be decided on a show of hands unless a poll is duly demanded. Subject to the provisions of the Companies Acts, a poll may be demanded by the Chairman, at least five members having the right to vote on the resolution, a member or members representing not less than 10 per cent. of the total voting rights of all the members having the right to vote on the resolution or a member or members holding shares conferring the right to vote on the resolution, being shares on which an aggregate sum has been paid up equal to not less than 10 per cent. of the total sum paid up on all the shares conferring that right.
- (h) The Board may, for the purpose of controlling the level of attendance and ensuring the safety of those attending at any place specified for the holding of a general meeting, ensuring the security of the meeting and ensuring the future orderly conduct of the

meeting, from time to time make such arrangements as the Board shall in its absolute discretion consider to be appropriate and may from time to time vary any such arrangements or make new arrangements in place thereof. The entitlement of any member or proxy to attend a general meeting at such place shall be subject to any such arrangements as may be for the time being approved by the Board. In the case of any meeting to which such arrangements apply the Board may, when specifying the place of the meeting:

- (i) direct that the meeting shall be held at a place specified in the notice at which the chairman of the meeting shall preside (being the **principal place**); and
- (ii) make arrangements for simultaneous attendance and participation at satellite meeting places or by way of any other electronic means by members otherwise entitled to attend the general meeting or who wish to attend at satellite meeting places or other places at which persons are participating by electronic means, provided that persons attending at the principal place and at satellite meeting places or other places at which persons are participating by electronic means shall be able to see, hear and be seen and heard by, persons attending at the principal place and at such other places, by any means.

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

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

#### 4.10 Issue of shares

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

#### 4.11 Directors' fees

- (a) The Directors (other than alternate Directors) shall be entitled to receive by way of fees for their services as Directors such sum as the Board (or any committee authorised by the Board) may from time to time determine (not exceeding £250,000 per annum in aggregate or such other sum as the Company in general meeting by ordinary resolution shall from time to time determine). Such sum (unless otherwise directed by the resolution of the Company by which it is voted) shall be divided among the Directors in such proportions and in such manner as the Board, or any committee authorised by the Board, may determine or, in default of such determination, equally (except that in such event any Director holding office for less than the whole of the relevant period in respect of which the fees are paid shall only rank in such division in proportion to the time during such period for which he holds office). Any fees so payable shall be distinct from any



salary, remuneration or other amounts payable to a Director pursuant to the Articles or otherwise and shall accrue from day to day.

- (b) If by arrangement with the Board, or any committee authorised by the Board, any Director shall perform or render any special duties or services outside his ordinary duties as a Director and not in his capacity as a holder of employment or executive office, he may be paid such reasonable additional remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board, or any committee authorised by the Board, may from time to time determine.
- (c) The salary or remuneration of any Director appointed to hold any employment or executive office may be either a fixed sum of money, or may altogether or in part be governed by business done or profits made or otherwise determined by the Board or any committee authorised by the Board and may be in addition to or in lieu of any fee payable to him for his services as Director.
- (d) The Directors are entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by them in or about the performance of their duties as Directors.

#### 4.12 Pensions and gratuities for Directors

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

#### 4.13 Directors' interests

- (a) The Board may authorise any matter proposed to it in accordance with the Articles which would otherwise involve a breach by a Director of his duty to avoid conflicts of interest under the Companies Acts, including any matter which relates to a situation in which a Director has or can have an interest which conflicts, or possibly may conflict, with the interests of the Company (including the exploitation of any property, information or opportunity, whether or not the Company could take advantage of it but excluding any situation which cannot reasonably be regarded as likely to give rise to a conflict of interest). This does not apply to a conflict of interest arising in relation to a transaction or arrangement with the Company. A Director seeking authorisation in respect of a matter which relates to a relevant situation must tell the other Directors of the nature and extent of his interest in the matter as soon as possible. The Director must provide sufficient details of the matter to enable the other Directors to decide how to address the relevant situation together with any additional information which they may request. Any authorisation will only be effective if any quorum requirement at any meeting in which the matter was considered is met without counting the Director in question or any other interested Director and the matter was agreed to without their voting or would have been agreed to if their votes had not been counted. The Board may impose limits or conditions on any such authorisation or may vary or terminate it at any time.
- (b) Subject to having, where required, obtained authorisation of the conflict from the Board, a Director shall be under no duty to the Company with respect to any information which he obtains or has obtained otherwise than as a Director of the Company and in respect of which he has a duty of confidentiality to another person and will not be in breach of the general duties he owes to the Company under the Companies Acts because he fails to disclose any such information to the Board or to use or apply any such information in performing his duties as a Director, or because he absents himself from meetings of the Board at which any matter relating to a conflict of interest, or possible conflict of interest is discussed, and/or makes arrangements not to receive documents or information relating to any matter which gives rise to a conflict of interest or possible conflict of interest and/or makes arrangements for such documents and information to be received and read by a professional adviser.

- (c) Provided that his interest is disclosed at a meeting of the Board, or in the case of a transaction or arrangement with the Company, in the manner set out in the Companies Acts, a Director, notwithstanding his office:
  - (i) may be a party to or otherwise be interested in any transaction arrangement or proposal with the Company or in which the Company is otherwise interested;
  - (ii) may hold any other office or place of profit at the Company (except that of auditor of the Company) and may act by himself or through his firm in a professional capacity for the Company, and in any such case on such terms as to remuneration and otherwise as the Board may arrange;
  - (iii) may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any company promoted by the Company or in which the Company is otherwise interested or as regards which the Company has powers of appointment; and
  - (iv) shall not be liable to account to the Company for any profit, remuneration or other benefit realised by any office or employment or from any transaction, arrangement or proposal or from any interest in any body corporate. No such transaction, arrangement or proposal shall be liable to be avoided on the grounds of any such interest or benefit nor shall the receipt of any such profit, remuneration or any other benefit constitute a breach of his duty not to accept benefits from third parties.
- (d) A Director need not declare an interest in the case of a transaction or arrangement with the Company if the other Directors are already aware, or ought reasonably to be aware, of the interest or it concerns the terms of his service contract that have been or are to be considered at a meeting of the Directors or a committee of the Directors or if the interest consists of him being a director, officer or employee of a company in which the Company is interested.
- (e) A Director shall be deemed to have disclosed the nature and extent of an interest which consists of him being a director, officer or employee of any body corporate in which the Company is interested.
- (f) The Board may cause the voting rights conferred by the shares in any other company held or owned by the Company or any power of appointment to be exercised in such manner in all respects as it thinks fit and a Director may vote on and be counted in the quorum in relation to any of these matters.

#### 4.14 Restrictions on Directors' voting

- (a) A Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board or of a committee of the Board concerning any transaction or arrangement which is to his knowledge a material interest and, if he purports to do so, his vote will not be counted, but this prohibition shall not apply in respect of any resolution concerning any one or more of the following matters:
  - (i) any transaction or arrangement in which he is interested by means of an interest in shares, debentures or other securities or otherwise in or through the Company;
  - (ii) the giving of any guarantee, security or indemnity in respect of money lent to, or obligations incurred by him or any other person at the request of or for the benefit of, the Company or any of its subsidiary undertakings;
  - (iii) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
  - (iv) the giving of any other indemnity where all other Directors are also being offered indemnities on substantially the same terms;
  - (v) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings in which offer he is or may

be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;

- (vi) any proposal concerning any other body corporate in which he does not to his knowledge have an interest (as the term is used in Part 22 of the Act) in one per cent. or more of the issued equity share capital of any class of such body corporate (calculated exclusive of any shares of that class in that company held as treasury shares) nor to his knowledge hold one per cent. or more of the voting rights which he holds as shareholder or through his direct or indirect holding of financial instruments (within the meaning of the DTRs) in such body corporate;
  - (vii) any proposal relating to an arrangement for the benefit of the employees and Directors or former employees and former directors of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates;
  - (viii) any proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons who include Directors;
  - (ix) any proposal concerning the funding of expenditure by one or more Directors on defending proceedings against him or them, or doing anything to enable such Director or Directors to avoid incurring such expenditure where all other Directors have been given or are being offered substantially the same arrangements; or
  - (x) any transaction or arrangement in respect of which his interest, or the interest of Directors generally has been authorised by ordinary resolution.
- (b) A Director shall not vote or be counted in the quorum on any resolution of the Board or committee of the Board concerning his own appointment (including fixing or varying the terms of his appointment or its termination) as the holder of any office or place of profit with the Company or any company in which the Company is interested.

#### 4.15 Number of Directors

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

#### 4.16 Directors' appointment and retirement

- (a) Directors may be appointed by the Company by ordinary resolution or by the Board. If appointed by the Board, a Director holds office only until the next annual general meeting and shall not be taken into account in determining the number of Directors who are to retire by rotation.
- (b) At each annual general meeting of the Company, one-third of the Directors or, if their number is not three or a multiple of three, the number nearest to but not exceeding one-third shall retire from office by rotation. If there are fewer than three Directors, one Director shall retire from office.
- (c) Any Director shall retire at the first annual general meeting of the Company following his appointment and shall not be taken into account in determining the number of Directors who are to retire by rotation at that meeting. At each annual general meeting, any Director who was elected or last re-elected at or before the annual general meeting held in the third calendar year before the current year shall retire by rotation.
- (d) If the number of Directors retiring is less than the minimum number of Directors who are required by the Articles to retire by rotation, additional Directors up to that number shall retire. The Directors to retire shall, first, be those Directors who are subject to rotation but who wish to retire and not offer themselves for re-election and, secondly, those Directors who have been Directors longest since their appointment or last re-appointment. If there are Directors who were appointed or last re-appointed on the same date, the Director to retire shall, in default of agreement between them, be determined by lot. The Directors to retire on each occasion (both as to number and identity) shall be determined by the composition of the Board at the start of business on the date of the notice convening the

annual general meeting notwithstanding any change in the number or identity of the Directors after that time but before the close of the meeting.

- (e) Any Director (other than any Director holding executive office) who would not otherwise be required to retire shall also retire if he has been with the Company for a continuous period of nine years or more at the date of the meeting and shall not be taken into account when deciding which and how many Directors should retire by rotation at the annual general meeting.
- (f) A Director who retires at an annual general meeting (whether by rotation or otherwise) shall be eligible for re-election and a director who is re-elected will be treated as continuing in office without a break. If he is not re-elected or deemed to have been re-elected, a Director shall retain office until the meeting appoints someone in his place or, if it does not do so, until the end of the meeting.

#### 4.17 Proceedings of the Board

Subject to the provisions of the Articles, the Board may meet for the despatch of business, adjourn and otherwise regulate its proceedings as it thinks fit. One Director, or the Company Secretary at the request of a Director, can summon a Board meeting at any time on reasonable notice. Notice of a Board meeting shall be deemed to have been given to a Director if it is given to him personally or by word of mouth or sent in writing to him at his last known address. A Director may waive the requirement that notice be given to him of any Board meetings, either prospectively or retrospectively. A Director who does not supply the Company with the information necessary to ensure that he receives notice of a meeting before it takes place is deemed to have waived his entitlement to notice of such meeting. The quorum necessary for the transaction of business may be determined by the Board and until otherwise determined, shall be two persons, each being a Director or an alternate Director.

#### 4.18 Untraced shareholders

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

#### 4.19 Non-UK shareholders

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

#### 4.20 CREST

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

#### 4.21 Indemnity of officers and insurance

- (a) Subject to the provisions of the Companies Acts, but without prejudice to any indemnity to which he might otherwise be entitled, every person who is or was at any time a Director or an officer of the Company or a director or officer of an associated company (except the Auditors or the auditors of an associated company) may at the discretion of the Board be entitled to be indemnified out of the assets of the Company against all costs, charges, losses, expenses, damages and liabilities incurred by him for negligence, default, breach of duty, breach of trust or otherwise in relation to the affairs of the Company or of an associated company, or in connection with the activities of the

Company, or of an associated company, as a trustee of an occupational pension scheme (as defined in section 235(6) of the Act).

- (b) Subject to the provisions of the Companies Acts, the Company may at the discretion of the Board provide any person who is or was at any time a Director or officer of the Company or a director or officer of an associated company (except the Auditors or the auditors of an associated company) with funds to meet expenditure incurred or to be incurred by him (or to enable such Director or officer to avoid incurring such expenditure) in defending any criminal or civil proceedings or defending himself in any investigation by, or against action proposed to be taken by, a regulatory authority or in connection with any application under the provisions referred to in section 205(5) of the Act.
- (c) In addition the Board may purchase and maintain insurance at the expense of the Company for the benefit of any such person indemnifying him against any liability or expenditure incurred by him for acts or omissions as a Director, officer employee of the Company (or of an associated company) or trustee.

#### 4.22 Lien and forfeiture

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

#### 4.23 Conversion provisions

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

### **5 Directors and Employees**

- 5.1 The Directors and each of their respective functions are set out in Part I of this document.
- 5.2 The business address of the Directors is Interchange Atrium, The Stables Market, Chalk Farm Road, Camden, London, England, NW1 8AH.

5.3 The name, age and length of service of each of the Directors is as follows:

<u>Name</u>	<u>Age</u>	<u>Commencement date in office</u>
Paul Pindar . . . . .	58	21 November 2016
Jas Bagniewski . . . . .	35	6 January 2015
Abid Ismail . . . . .	38	2 November 2016
Peter Hepworth . . . . .	53	28 April 2017
Thomas Enraght-Moony . . . . .	45	28 April 2017

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

<u>Name</u>	<u>Current Directorships/memberships</u>	<u>Previous Directorships/memberships</u>
Paul Pindar . . . . .	Purplebricks Group plc Indigo Parent Limited Indigo Manco Limited Turnstone Management Investments Limited Wessex Refreshment Ltd (dormant)	Superlarge Limited International Travel Connections Limited Western & Oriental Travel Limited Regent Holidays (U.K.) Limited ITC Luxury Travel Group Ltd Turnstone Bidco 1 Limited Turnstone Equityco 1 Limited Turnstone Midco 1 Limited Turnstone Midco 2 Limited Capita Business Services Limited Capita Holdings Limited Capita Group Secretary Limited Capita Corporate Director Limited Capita plc
Jas Bagniewski . . . . .	—	Zen Bedrooms Limited
Abid Ismail . . . . .	Star House Property Limited (dormant) Sportingon.com Limited (dormant) Diaryin Ltd (dissolved)	Axelos Limited
Peter Hepworth . . . . .	Fire Service College Limited Axelos Limited Capita Business Services Limited Fera Science Limited NYS Corporate Ltd. NYS Holdings Ltd.	The UK Interactive Entertainment Association Limited Bizarre Creations Limited
Thomas Enraght-Moony . . . . .	The Leisure Pass Group Limited The Leisure Pass Group (Asia) Limited Newincco 1128 Limited Newincco 1153 Limited Newincco 1154 Limited Newincco 1155 Limited	Lumata UK Limited Lumata Holdings Limited

5.5 At the date of this document, none of the Directors named in this document:

- (a) has any unspent convictions in relation to indictable offences;
- (b) has been declared bankrupt or has entered into an individual voluntary arrangement;
- (c) was a director of any company at the time of or within the 12 months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors with which such company was concerned;
- (d) was a partner in a partnership at the time of or within the 12 months preceding a compulsory liquidation, administration or partnership voluntary arrangement of such partnership;
- (e) has had his assets the subject of any receivership or was a partner in a partnership at the time of or within the 12 months preceding any assets thereof being the subject of a receivership; or

- (f) has been the subject of any public criticisms by any statutory or regulatory authority (including any recognised professional body) nor has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

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

<u>Period</u>	<u>Average number of employees</u>
Financial period ended 31 December 2016 . . . . .	68
Financial period ended 31 December 2015 . . . . .	12

5.7 As at 11 May 2017, the employees of the Company were as follows:

Executive Directors . . . . .	2
Senior management (including Senior Managers) . . . . .	20
Other . . . . .	65
Total . . . . .	87

## 6 Directors' and Other Interests

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

<u>Name</u>	<u>Prior to Admission<sup>(1)</sup></u>		<u>Following Admission<sup>(1)</sup></u>	
	<u>Number of Ordinary Shares</u>	<u>Percentage of current issued Ordinary Shares %</u>	<u>Number of Ordinary Shares</u>	<u>Percentage of Enlarged Ordinary Share Capital %</u>
Abid Ismail . . . . .	4,151,841	4.6	4,151,841	3.0
Jas Bagniewski . . . . .	5,893,480	6.5	9,341,668	6.8
Paul Pindar <sup>(2)</sup> . . . . .	6,287,927	7.0	6,287,927	4.5

(1) The number of Ordinary Shares and percentage of the Company's share capital held as shown in this table take into account the effects of the Share Capital Reorganisation (excluding any options exercised in the context of Admission) and excludes shares held under option.

(2) Includes connected persons.

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

<u>Name</u>	<u>Number of Ordinary Shares under Option</u>	<u>Percentage of Enlarged Ordinary Share Capital %</u>	<u>Exercise price (in pence per Ordinary Share)</u>	<u>Exercise Period<sup>(1)</sup></u>
Abid Ismail . . . . .	389,843	0.28	101	10 years from grant
Jas Bagniewski . . . . .	597,000	0.43	101	10 years from grant
Peter Hepworth . . . . .	99,000	0.07	101	10 years from grant
Thomas Enraght-Moony . . . . .	99,000	0.07	101	10 years from grant

(1) Earliest exercise date under options is 18 May 2020.

6.3 Save as disclosed in paragraphs 6.1 and 6.2 above, none of the Directors nor any member of his immediate family nor any person connected with him (within the meaning of section 252 of the Act) holds or is beneficially or non-beneficially interested, directly or indirectly, in any shares or options to subscribe for, or securities convertible into, shares of the Company or any of its subsidiary undertakings.

- 6.4 In addition to the interests of the Directors set out in paragraph 6.1 above, as at the date of this document, insofar as is known to the Company, the following persons are, or will at Admission be, interested in three per cent. or more of the issued share capital of the Company.

Name	Prior to Admission		Following Admission	
	Number of Ordinary Shares	Percentage of current issued Ordinary Shares %	Number of Ordinary Shares	Percentage of Enlarged Ordinary Share Capital %
Woodford . . . . .	15,870,855	17.5	25,771,845	18.6
Octopus . . . . .	19,089,278	21.1	19,089,278	13.8
DN Capital . . . . .	16,056,746	17.8	16,056,746	11.6
Kuba Wieczorek <sup>(1)</sup> . . . . .	5,893,480	6.5	7,784,740	5.6
Felix Lobkowicz . . . . .	0	0.0	6,227,787	4.5
4 Ventures Limited . . . . .	4,272,346	4.7	4,272,346	3.1
Standard Life Investments Limited . . . . .	0	0.0	4,102,970	3.0
Hargreave Hale Limited . . . . .	0	0.0	4,089,855	3.0

(1) Includes connected persons.

- 6.5 Save as disclosed in this document, there are no persons, so far as the Company is aware, who are or will be immediately following Admission interested in three per cent. or more of the Company's issued Enlarged Ordinary Share Capital, nor, so far as the Company is aware, are there any persons who at the date of this document or immediately following Admission, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.
- 6.6 Save as disclosed in this document, there are no arrangements known to the Company, the operation of which may at a subsequent date result in a change in control of the Company.
- 6.7 On Admission, the Company's share capital will consist of one class of Ordinary Shares with equal voting rights (subject to the Articles). On Admission, no major Shareholder of the Company will have any different voting rights from the other Shareholders.
- 6.8 Save as disclosed in this document, no Director is or has been interested in any transactions which are or were unusual in their nature or conditions or significant to the business of the Company during the current or immediately preceding financial year or which were effected during any earlier financial year and remain in any respect outstanding or unperformed.
- 6.9 Save as disclosed in this document, there are no outstanding loans or guarantees provided by the Company or to or for the benefit of any of the Directors.
- 6.10 Save as disclosed in note 17 of the historical financial information in Section A of Part III of this document and paragraph 11 of this Part VI, there have been no related party transactions of the kind set out in the Standards adopted according to the Regulation (EC) No 1606/2002 that the Company has entered into since its incorporation.
- 6.11 No Director nor any member of his immediate family nor any person connected with him (within the meaning of section 252 of the Act) has a Related Financial Product (as defined in the AIM Rules for Companies) referenced to Ordinary Shares.
- 6.12 Directors' Service Agreements and Non-Executive Director Letters of Appointment

(a) Jas Bagniewski Service Agreement

Jas Bagniewski is employed as Chief Executive Officer of the Company. Jas Bagniewski has entered into a service agreement with the Company dated 12 May 2017, which will take effect upon Admission. Pursuant to the terms of the service agreement, Jas Bagniewski shall receive a gross salary of £150,000 per annum (which is subject to annual review by the Remuneration Committee). Jas Bagniewski also:

- (i) may participate in an incentive scheme operated by the Company from time to time;
- (ii) is entitled to private medical insurance cover (for himself and his family) and life assurance;



- (iii) entitled to 25 days' holiday plus all bank and public holidays normally observed in England; and
- (iv) is eligible to receive sick pay of 8 weeks' full basic salary in any rolling 12 month period.

No pension provision is currently made by the Company for Jas Bagniewski. The Company will be required to automatically enrol its "eligible jobholders" into a pension scheme that meets the minimum criteria specified by legislation by 1 October 2017.

Jas Bagniewski's employment is terminable by either the Company or Jas Bagniewski on 12 months' notice. The Company has the ability to terminate Jas Bagniewski's employment with immediate effect by making a payment in lieu of notice to him which shall consist of basic salary only. This payment can be made as a lump sum or by instalments over the unexpired period of notice. If the Company elects to make such payment in instalments, Jas Bagniewski falls under a duty to seek alternative employment and the Company is entitled to cease payment of such instalments upon Jas Bagniewski commencing a new employment. The Company also has the option to put Jas Bagniewski on garden leave during any period of notice. During any period of garden leave, he will be entitled to receive his salary and contractual benefits in the normal manner.

Jas Bagniewski is subject to express confidentiality obligations which remain in place following termination of employment, and 12 month post termination of employment restrictions on involvement in competing businesses, dealing with trade customers and commercial partners, solicitation of trade customers and commercial partners, interference with the supply of services from suppliers or commercial partners, and employing, or soliciting for employment, senior colleagues.

(b) Abid Ismail Service Agreement

Abid Ismail is employed as Chief Financial Officer of the Company. Abid Ismail has entered into a service agreement with the Company dated 12 May 2017, which will take effect upon Admission. Pursuant to the terms of the service agreement, Abid Ismail shall receive a gross salary of £130,000 per annum (which is subject to annual review from time to time by the Remuneration Committee). Abid Ismail also:

- (i) may participate in an incentive scheme operated by the Company from time to time;
- (ii) is entitled to private medical insurance cover (for himself and his family) and life assurance;
- (iii) entitled to 25 days' holiday plus all bank and public holidays normally observed in England; and
- (iv) is eligible to receive sick pay of 8 weeks' full basic salary in any rolling 12 month period.

No pension provision is currently made by the Company for Abid Ismail. The Company will be required to automatically enrol its "eligible jobholders" into a pension scheme that meets the minimum criteria specified by legislation by 1 October 2017.

Abid Ismail's employment is terminable by either the Company or Abid Ismail on 12 months' notice. The Company has the ability to terminate Abid Ismail's employment with immediate effect by making a payment in lieu of notice to him which shall consist of basic salary only. This payment can be made as a lump sum or by instalments over the unexpired period of notice. If the Company elects to make such payment in instalments Abid Ismail falls under a duty to seek alternative employment and the Company is entitled to cease payment of such instalments upon Abid Ismail commencing a new employment. The Company also has the option to put Abid Ismail on garden leave during any period of notice. During any period of garden leave, he will be entitled to receive his salary and contractual benefits in the normal manner.

Abid Ismail is subject to express confidentiality obligations which remain in place following termination of employment, and 12 month post termination of employment

restrictions on involvement in competing businesses, dealing with trade customers and commercial partners, solicitation of trade customers and commercial partners, interference with the supply of services from suppliers or commercial partners, and employing, or soliciting for employment, senior colleagues.

(c) Paul Pindar Letter of Appointment

Paul Pindar has been engaged as to act as Non-Executive Chairman of the Company since November 2016. Paul Pindar has entered into a new letter of appointment with the Company dated 12 May 2017, which will take effect upon Admission. Paul Pindar will receive an annual gross fee of £30,000. The appointment is for an initial term of three years commencing on Admission and is terminable at any time by either party giving to the other not less than three months' prior notice in writing.

(d) Peter Hepworth Letter of Appointment

Pursuant to the terms of a letter of appointment dated 12 May 2017, Peter Hepworth has agreed to act as Senior Independent Non-Executive Director of the Company. Peter Hepworth will receive an annual gross fee of £30,000. The appointment is for an initial term from the date of appointment to three years after Admission and is terminable at any time by either party giving to the other not less than three months' prior notice in writing. Peter Hepworth will be granted an option pursuant to the Non-Employee Sub-Plan to subscribe for Ordinary Shares with a value of £100,000 based upon the share price at Admission.

(e) Thomas Enraght-Moony Letter of Appointment

Pursuant to the terms of a letter of appointment dated 12 May 2017, Thomas Enraght-Moony has agreed to act as an Independent Non-Executive Director of the Company. Thomas Enraght-Moony will receive an annual gross fee of £30,000. The appointment is for an initial term from the date of appointment to three after from Admission and is terminable at any time by either party giving to the other not less than three months' prior notice in writing. Thomas Enraght-Moony will be granted an option pursuant to the Non-Employee Sub-Plan to subscribe for Ordinary Shares with a value of £100,000 based on the share price at Admission.

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

6.14 Save as disclosed in this document, with effect from Admission, there will be no service agreements or agreements for the provision of services existing or proposed between the Directors and the Company or the Group.

## **7 The Employee Share Incentive Arrangements**

### *Previous Share Incentive Arrangements*

7.1 The Company granted EMI options to UK employees, and unapproved options to certain overseas employees and contractors.

7.2 Typically EMI options were granted with a four year vesting period, with 25 per cent. of shares under option vesting on the first anniversary of the employment start date (which in some instances is before the actual date of grant), after which vesting occurs in equal monthly tranches until the fourth anniversary of the employment start date. Two options were granted with an additional performance targets relating to sales generated by the relevant optionholder. The Board has the discretion to allow early vesting under the option terms. The Board has exercised this discretion so that, conditional on Admission, the options of certain individuals key to founding the business will be exercisable in full on Admission, and in all other instances for options with a four year vesting period, 25 per cent. of shares under the unvested portions of options and to which only time-based performance conditions apply, will vest on Admission up to a cap of 50 per cent. of shares under option vested on Admission.

## *New Share Incentive Arrangements*

### 7.3 Overview

- (a) On 12 May 2017 the Board adopted the New Share Option Plan to incentivise certain of the Company's employees and directors. The New Share Option Plan has a Non-Employee Sub-Plan to incentivise certain of the Company's advisors, consultants and non-executive directors.
- (b) The New Share Option Plan provides for the grant of both EMI and unapproved options.
- (c) Options granted under the New Share Option Scheme (**Options**) will be subject to exercise conditions as summarised below.
- (d) The principal features of the New Share Option Plan are outlined below.

### 7.4 Administration

- (a) The New Share Option Plan will be administered in accordance with its rules. The Board has constituted the Remuneration Committee to approve option grants and to determine applicable exercise conditions

### 7.5 Participation and grant of Options

- (a) The Remuneration Committee may grant Options to any employee or executive director of the Group and to such other persons as may be nominated for option grants. In the case of tax-approved EMI options, full-time working requirements must be met which means that the employee must be required to work 25 hours a week or, if less, 75 per cent. of the employee's working time. Employees who have a material interest in the Company cannot be granted EMI options. A material interest is either beneficial ownership of, or the ability to control directly or indirectly, more than 30 per cent. of the ordinary share capital of the Company.
- (b) Options may be granted within 42 days of the adoption of the New Share Option Plan, within 42 days immediately following the end of a Closed Period (which has the same meaning as the Market Abuse Regulation) and within any other period that the Remuneration Committee has decided Options should be granted as exceptional circumstances exist.
- (c) No consideration will be payable for the grant of Options.

### 7.6 Exercise price

- (a) The Remuneration Committee determines the exercise price of Options before they are granted, which shall not be less than the nominal value of an Ordinary Share.

### 7.7 Exercise and lapse of Options

- (a) Vesting
  - (i) Options can normally only be exercised on satisfaction of the exercise conditions determined by the Remuneration Committee at grant. Post grant the Remuneration Committee may waive or vary such conditions, provided any varied condition is considered to be a fairer measure of performance and no more difficult to satisfy than the original condition.
  - (ii) The last date for exercise of an Option will be the day before the tenth anniversary of its grant.
  - (iii) Each Option is personal to the Option holder and any transfer of, or the creation of any charge, pledge or other encumbrance over, the Option will cause it to lapse.
- (b) Cessation of employment
  - (i) In the case of death, an Option holder's personal representatives may exercise his/her Options within 12 months of the date of death to the extent the exercise conditions have been satisfied, save that the Remuneration Committee may waive the exercise conditions in these circumstances.

- (ii) If an Option holder ceases to be a Group employee by reason of injury, ill health, disability, retirement, redundancy or sale of the Option holder's employing company or business, Options are exercisable to the extent the exercise conditions have been satisfied during the 90 days from the date of cessation, save that the Remuneration Committee may waive the exercise conditions in these circumstances.
  - (iii) If an Option holder ceases to be a Group employee for any other reason, Options may, at the discretion of the Remuneration Committee, be exercisable to the extent the exercise conditions have been satisfied during the 90 days from the date of cessation, save that the Remuneration Committee may waive the exercise conditions in these circumstances.
- (c) Takeovers, etc.
- (i) In the event of a takeover, scheme of arrangement, change of control or voluntary winding up of the Company, Options may be exercised to the extent the exercise conditions have been met, save that the Remuneration Committee may waive the exercise conditions in these circumstances.
  - (ii) If the Options are not exercised within an appropriate period, generally 90 days of the relevant event, they will lapse. There is a provision allowing for the roll-over of Options provided that, in the case of EMI options, such new options continue to meet EMI qualifying conditions.

#### 7.8 Rights attaching to Ordinary Shares

- (a) Ordinary Shares issued on the exercise of an Option will rank *pari passu* with the Ordinary Shares then in issue (except in respect of entitlements arising prior to the date of the allotment). The Company will apply to the London Stock Exchange for the newly issued Ordinary Shares to be admitted to trading on AIM.

#### 7.9 Plan limits

- (a) The number of new Ordinary Shares that may be issued or are issuable pursuant to the exercise of the Options and any other options granted, or awards made, under all of the discretionary share option plans operated by the Company may not exceed 10 per cent of the Company's issued share capital immediately following Admission, save that shares under options which were capable of exercise prior to Admission will not be counted.
- (b) Ordinary Shares transferred from treasury to satisfy Options will count as newly issued shares for these purposes.
- (c) Options which have lapsed or been surrendered will not count towards these dilution limits.

#### 7.10 Variation of share capital

- (a) In the event of any variation of share capital by way of capitalisation, rights issue, consolidation, sub-division or reduction of share capital or other variation, the number of Ordinary Shares comprised in subsisting Options and the exercise price may be adjusted by the Board in such manner that the Board deems to be fair and reasonable in their opinion and with effect from such date as the Board may determine to be appropriate. Where an Option has been exercised before the variation of share capital the number of shares which may be issued or transferred to an Option holder pursuant to that exercise may be adjusted in such manner as the Board deems appropriate.

#### 7.11 Pension status

- (a) None of the benefits which may be received under the New Share Option Plan will be taken into account when determining any pension or similar entitlements.

#### 7.12 Tax

- (a) Where a tax liability arises on the exercise of an Option, the Company may make deductions from payments due to the Option holder to meet such liability. If such

payments are insufficient, the Option holder must pay the Company the balance of the liability before Ordinary Shares are issued to him. Alternatively, the Company may sell as many of the Option holder's Ordinary Shares as are necessary to cover the liability. The Option holder may be required to bear the cost of any secondary National Insurance Contributions.

#### 7.13 Amendment

- (a) The Remuneration Committee may make amendments to the rules of the New Share Option Plan provided the amendment does not: (a) apply to Options granted before the amendment was made; or (b) materially adversely affect the interests of Option holders. Further, no deletion, amendment or addition may be made except with the prior approval of the Company in general meeting if the deletion, amendment or addition is in relation to (a) the definition of Employee; or (b) the plans grant limits; or (c) the variation of share capital.

#### 7.14 Termination

- (a) No Options may be granted under the New Share Option Plan after the tenth anniversary of its adoption.

#### 7.15 Non-Employee Sub-Plan

- (a) Under the Non-Employee Sub-Plan, options may be granted to advisers, consultants and non-executive directors of the Company, on terms comparable to those described above.

#### 7.16 Pre-Admission grant of options

- (a) The Company has granted option grants over a total of 3,214,529 Ordinary Shares to be made prior to Admission under the New Share Option Plan which have an exercise price equal to the Placing Price and which are subject to an exercise condition that they cannot, subject to certain exceptions, be exercised prior to the third anniversary of Admission and, to the extent possible, are EMI options. If Admission has not occurred by 31 July 2017, these options will lapse.

#### *Shares under option*

- 7.17 Details of the total number of shares under option, and the terms of the options, as at the latest practicable date prior to Admission are set out below:

<b>Grant Date</b>	<b>Number of shares under option</b>	<b>Performance conditions</b>	<b>Exercise price (p)</b>	<b>Earliest exercise date</b>	<b>Expiry date</b>
13 July 2015	132,905	None save for time vesting	0.44	12 July 2016	12 July 2025
28 January 2016	224,269	None save for time vesting	1.22	31 January 2017	27 January 2026
24 October 2016	49,447	None save for time vesting	3.72	01 January 2017	23 October 2026
23 January 2017	409,130	None save for time vesting	0.0001	31 August 2016	22 January 2027
23 January 2017	424,541	None save for time vesting	0.0001	14 September 2016	22 January 2027
23 January 2017	6,227,787	None save for time vesting	0.0001	30 September 2016	22 January 2027
23 January 2017	80,320	None save for time vesting	0.0001	31 October 2016	22 January 2027
23 January 2017	163,150	None save for time vesting	0.0001	30 November 2016	22 January 2027
23 January 2017	299,041	None save for time vesting	0.0001	31 January 2017	22 January 2027
23 January 2017	125,500	None save for time vesting	0.0001	31 January 2017	22 January 2027
23 January 2017	1,765,760	None save for time vesting	0.0001	01 March 2017	22 January 2027
23 January 2017	150,600	None save for time vesting	0.0001	16 March 2017	22 January 2027
23 January 2017	163,150	None save for time vesting	0.0001	11 April 2017	22 January 2027
23 January 2017	424,541	None save for time vesting	0.0001	09 May 2017	22 January 2027
23 January 2017	499,339	None save for time vesting	0.0001	18 May 2017	22 January 2027
23 January 2017	324,141	None save for time vesting	0.0001	18 May 2017	22 January 2027
23 January 2017	3,448,188	None save for time vesting	0.0001	18 May 2017	22 January 2027
23 January 2017	753,000	None save for time vesting	0.0001	18 May 2017	22 January 2027
23 January 2017	25,100	None save for time vesting	0.0001	18 May 2017	22 January 2027
23 January 2017	6,426	None save for time vesting	0.0001	18 May 2017	22 January 2027
23 January 2017	4,151,841	None save for time vesting	0.0001	01 November 2017	22 January 2027
23 January 2017	25,100	None save for time vesting	0.0001	20 February 2018	22 January 2027
25 January 2017	18,825	None save for time vesting	0.0001	27 July 2016	24 January 2027
25 January 2017	18,825	None save for time vesting	0.0001	01 May 2017	24 January 2027
25 January 2017	25,100	None save for time vesting	0.0001	09 May 2017	24 January 2027

<u>Grant Date</u>	<u>Number of shares under option</u>	<u>Performance conditions</u>	<u>Exercise price (p)</u>	<u>Earliest exercise date</u>	<u>Expiry date</u>
25 January 2017	62,750	None save for time vesting	0.0001	18 May 2017	24 January 2027
26 January 2017	62,750	None save for time vesting	0.0001	31 August 2016	25 January 2027
26 January 2017	12,550	None save for time vesting	0.0001	01 November 2016	25 January 2027
26 January 2017	18,825	None save for time vesting	0.0001	03 January 2017	25 January 2027
26 January 2017	18,825	None save for time vesting	0.0001	10 January 2017	25 January 2027
26 January 2017	40,160	None save for time vesting	0.0001	17 January 2017	25 January 2027
26 January 2017	18,825	None save for time vesting	0.0001	01 February 2017	25 January 2027
26 January 2017	18,825	None save for time vesting	0.0001	29 March 2017	25 January 2027
26 January 2017	32,630	None save for time vesting	0.0001	29 March 2017	25 January 2027
26 January 2017	18,825	None save for time vesting	0.0001	18 May 2017	25 January 2027
26 January 2017	37,650	None save for time vesting	0.0001	18 May 2017	25 January 2027
26 January 2017	32,630	None save for time vesting	0.0001	18 May 2017	25 January 2027
26 January 2017	62,750	None save for time vesting	0.0001	18 May 2017	25 January 2027
26 January 2017	62,750	None save for time vesting	0.0001	09 January 2018	25 January 2027
20 February 2017	18,825	None save for time vesting	0.0001	18 May 2017	19 February 2027
10 April 2017	251,000	None save for time vesting	0.0001	10 April 2018	09 April 2027
12 May 2017	3,214,529	None save for time vesting	Placing Price	18 May 2020	11 May 2027
<b>Total issued</b>	<b>23,921,125</b>				
Less total exercised / lapse to date	17,470,417				
<b>Total</b>	<b>6,450,708</b>				

## 8 Taxation

The following summary, which is intended as a general guide only, outlines certain aspects of current UK tax legislation, and what is understood to be the current practice of HMRC in the United Kingdom regarding the ownership and disposal of ordinary shares. This summary is not a complete and exhaustive analysis of all the potential UK tax consequences for holders of Ordinary Shares. It addresses certain limited aspects of the UK taxation position of UK resident and domiciled Shareholders who are beneficial owners of their Ordinary Shares and who hold their Ordinary Shares as an investment (and not as employment related securities or through an “Individual Saving Account” or “Self Invested Personal Pension”). Any person who is in any doubt as to his tax position or who is subject to taxation in a jurisdiction other than the UK should consult his professional advisers immediately as to the taxation consequences of their purchase, ownership and disposition of Ordinary Shares. This summary is based on current United Kingdom tax legislation. Shareholders should be aware that future legislative, administrative and judicial changes could affect the taxation consequences described below.

### 8.1 Taxation of dividends

There is no UK withholding tax on dividends, including cases where dividends are paid to a Shareholder who is not resident (for tax purposes) in the UK.

#### (a) Individual Shareholders

As of 6 April 2016, Shareholders who are individuals receive a tax-free dividend allowance of £5,000 per tax year (but reducing to £2,000 for the 2018/19 and later tax years) and are liable to UK income tax on the amount of any dividends received over this. The rates of income tax on dividend income that exceed the tax free allowance are 7.5 per cent. for basic rate taxpayers, 32.5 per cent. for higher rate taxpayers and 38.1 per cent. for additional rate taxpayers.

#### (b) Corporate Shareholders

Shareholders within the charge to UK corporation tax which are “small companies” (for the purposes of UK taxation of dividends) will not generally expect to be subject to tax on dividends from the Company. Other Shareholders within the charge to UK corporation tax will not be subject to tax on dividends from the Company in respect of Ordinary Shares held, provided the dividends fall within an exempt class and certain conditions are satisfied. In general, (i) dividends paid on shares that are not redeemable and do not carry any present or future preferential rights to dividends or to a company’s assets on its winding-up and (ii) dividends paid to a person holding less than, among other things, 10 per cent. of the issued share capital

of the payer (or any class of that share capital) are examples of dividends that fall within an exempt class subject to certain anti-avoidance provisions.

## 8.2 Taxation of chargeable gains

For the purpose of UK tax on chargeable gains, the acquisition of Ordinary Shares pursuant to the Placing will be regarded as an acquisition of a new holding in the share capital of the Company. The Ordinary Shares so allotted will, for the purpose of tax on chargeable gains, be treated as acquired on the date of allotment. The amount paid for the Ordinary Shares will usually constitute the base cost of a shareholder's holding.

### (a) Individual Shareholders

If a UK resident individual Shareholder disposes of all or some of his Ordinary Shares a liability to tax on chargeable gains may, depending on their circumstances, arise. The shareholder's annual exemption (currently £11,100 for individuals) and any capital losses they have may reduce the chargeable gain. UK resident individuals are generally subject to capital gains tax at a current flat rate of 20 per cent. Trustees and personal representatives are generally subject to capital gains tax at 20 per cent.

A Shareholder who is not resident in the UK for tax purposes, but who carries on a trade, profession or vocation in the UK through a permanent establishment (where the Shareholder is a company) or through a branch or agency (where the Shareholder is not a company) and has used, held or acquired the Ordinary Shares for the purposes of such trade, profession or vocation or such permanent establishment, branch or agency (as appropriate) will be subject to UK tax on capital gains on the disposal of Ordinary Shares. In addition, any holders of Ordinary Shares who are individuals and who dispose of shares while they are temporarily non-resident may be treated as disposing of them in the tax year in which they again become resident in the UK.

### (b) Corporate Shareholders

Disposals realised by corporate Shareholders within the charge to corporation tax (currently 19 per cent.) may give rise to a chargeable gain or an allowable loss, subject to the availability of an exemption (e.g. the substantial shareholding exemption) or relief. Indexation allowance may reduce the chargeable gain for corporate Shareholders.

## 8.3 Inheritance tax

Individual and trustee Shareholders domiciled or deemed to be domiciled in any part of the UK may be liable on occasions to inheritance tax (IHT) on the value of any Ordinary Shares held by them. Under current law, the primary occasions on which IHT is charged are on the death of the Shareholder, on any gifts made during the seven years prior to the death of the Shareholder (which will be brought into account when calculating IHT on the death of the Shareholder), and on certain lifetime transfers, including transfers to trusts or appointments out of trusts to beneficiaries, save in very limited and exceptional circumstances.

However, a relief from IHT known as business property relief (BPR) may apply to ordinary shares in trading companies once these have been held for two years by the Shareholder. This relief applies notwithstanding that a company's shares will be admitted to trading on AIM (although it does not apply to companies whose shares are listed on the Official List). If it applies, BPR operates by reducing the value of shares by 100 per cent. for IHT purposes which means that there should be no IHT to pay.

## 8.4 AIM

Companies whose shares trade on AIM are deemed unlisted for the purposes of certain areas of UK taxation. Following Admission, Shares held by individuals for at least two years from Admission may qualify for more generous exemptions from inheritance tax on death or in relation to lifetime transfers of those Shares. Shareholders should consult their own professional advisers on whether an investment in an AIM security is suitable for them, or whether the tax benefit referred to above maybe available to them.

## 8.5 Stamp duty and stamp duty reserve tax

No UK stamp duty or stamp duty reserve tax should be payable on the issue by the Company of Ordinary Shares. No stamp duty or stamp duty reserve tax should be payable on transfers of shares admitted to trading on AIM as long as the shares are not also listed on any other market.

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

## 9 Material Contracts

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

### 9.1 Placing Agreement

- (a) A placing agreement dated 15 May 2017 and made between: (1) Peel Hunt; (2) the Directors; (3) the Senior Managers; and (4) the Company pursuant to which Peel Hunt has agreed, subject to certain conditions, to act as agent for the Company, and to use its reasonable endeavours to procure placees to subscribe for the Placing Shares at the Placing Price.
- (b) The Placing Agreement is conditional upon, *inter alia*, Admission occurring on or before 8.00 a.m. on 18 May 2017 (or such later date as the Company and Peel Hunt may agree, being not later than 8.30 a.m. on 1 June 2017). The Placing Agreement contains warranties from the Company, the Directors and the Senior Managers in favour of Peel Hunt in relation to, amongst other things, the accuracy of the information in this document and other matters relating to the Company and its business. The liability of the Directors and the Senior Managers is limited.
- (c) The Company agrees to indemnify Peel Hunt in respect of certain liabilities it may incur in respect of the Placing. Peel Hunt has the right to terminate the Placing Agreement in certain circumstances prior to Admission, in particular, in the event of a material breach of the warranties or a force majeure event. The Company has also undertaken during the period commencing on the date of the Placing Agreement and ending 180 days after the date of Admission, it will not without the prior written consent of Peel Hunt, such consent not to be unreasonably withheld or delayed, allot or issue, or enter into any agreement to allot or issue, any share in the capital of the Company (save for the grant and exercise of options pursuant to the agreements and arrangements to the extent disclosed).
- (d) Each of the Directors and the Senior Managers has undertaken to the Company and Peel Hunt that he will not (and will procure that his connected persons will not) dispose of any Ordinary Shares or interest in Ordinary Shares or any rights arising from or attached to such Ordinary Shares (the **Restricted Interests**) at any time from Admission for 12 months after Admission (the **Lock-in Period**) without the prior written consent of Peel Hunt. These restrictions are subject to certain limited exceptions including transfers to connected persons and disposals by way of acceptance of a recommended offer of the entire issued share capital of the Company, made pursuant to a scheme of arrangement which is sanctioned by the court or where a transfer may be required by law.
- (e) Furthermore each of the Directors and the Senior Managers has also undertaken to the Company and to Peel Hunt not to dispose of the Restricted Interests for the period of 12 months following the expiry of the Lock-in Period other than through Peel Hunt or the



Company's broker from time to time with a view to maintaining an orderly market in the Ordinary Shares.

- (f) The Company agrees to pay commission to Peel Hunt on the gross aggregate value at the Placing Price of the Placing Shares to be sold in the Placing together with the costs and expenses reasonably incurred in connection with the Admission and Placing. The Company has also agreed to pay a further fee to Peel Hunt at the Company's sole discretion.
- (g) The Placing Agreement is governed by English law and is subject to the exclusive jurisdiction of the English courts.

## 9.2 Nominated Adviser and Broker Agreement

- (a) A nominated adviser and broker agreement dated 12 May 2017 and made between: (1) the Company; (2) the Directors; and (3) Peel Hunt pursuant to which the Company has appointed Peel Hunt to act as nominated adviser and broker to the Company for the purposes of the AIM Rules for Companies.
- (b) The Company has agreed to pay Peel Hunt a fee of £50,000 per annum in respect of the first 12 months of this agreement for its services as nominated adviser and broker under this agreement. Following the expiration of the initial 12 month period, the parties shall annually agree the fee for the following year.
- (c) The agreement contains certain customary undertakings, warranties and indemnities given by the Company and/or the Directors to Peel Hunt. The agreement is for an initial fixed term of 12 months and, thereafter, is terminable by either party providing three months' notice. Notwithstanding this, the Company may terminate the agreement at any time if Peel Hunt fails to carry out any material obligation as nominated adviser and/or broker. Peel Hunt has the right to terminate the agreement at any time in certain circumstances, for example, in the event of a material breach of the agreement or there has occurred a material adverse change in the business of, or in the financial or trading position of, the Group taken as a whole.
- (d) The nominated adviser and broker agreement is governed by English law and is subject to the exclusive jurisdiction of the English courts.

## 9.3 Registrar Services Agreement

- (a) A registrar services agreement dated on or around the date of this document and made between: (1) the Registrar; and (2) the Company pursuant to which the Registrar has been appointed as registrar to the Company.
- (b) The fees of the Registrar are based on the services performed with certain minimum payments agreed by the Company. The registrar services agreement contains certain undertakings and warranties given by the Company to the Registrar and an indemnity from the Company in favour of the Registrar and its affiliates for any liabilities arising from the Company's breach of the registrar services agreement. The Registrar's liability to the Company is limited save in certain circumstances.
- (c) The Company grants a first right of refusal to the Registrar to manage any corporate action that the Company undertakes or is subject to.
- (d) The agreement is for an initial term of three years and is thereafter terminable annually on not less than six months' prior written notice by either party.
- (e) The agreement may be terminated by either party by service of three months' written notice should the parties not reach an agreement regarding any increase of the fees payable under the registrar services agreement or with immediate effect at any time upon sending written notice to the other party if the other party commits a material breach of its obligations which such party fails to remedy within 45 days of receipt of notice to do so from the non-defaulting party or if a resolution is passed or an order made for the winding-up, dissolution or administration of the other party, or if the other party is declared insolvent or if an administrator, administrative receiver, manager or provisional liquidator (or similar officer to any of the foregoing in the relevant jurisdiction)

is appointed over the whole of or a substantial part of the other party or its assets or undertakings.

- (f) The registrar services agreement is governed by English law and both parties submit to the exclusive jurisdiction of the English courts.

#### 9.4 Company Secretarial Services Agreement

- (a) A company secretarial services agreement dated on or around the date of this document and made between: (1) the Company Secretary; and (2) the Company pursuant to which the Company Secretary has agreed to provide certain exclusive company secretarial services of the Company.
- (b) The Company shall pay an annual fee of £50,000 to the Company Secretary in consideration of the ongoing company secretarial services. The Company shall also pay a fee for certain pre-Admission transitional services which is capped at £10,000. The company secretarial services agreement contains customary undertakings, warranties and indemnities given by the Company. The Company Secretary's liability to the Company is limited save in certain circumstances.
- (c) The agreement is for an initial term of one year and is thereafter terminable annually on not less than six months' prior written notice by either party.
- (d) The agreement may be terminated by either party by service of three months' written notice should the parties not reach an agreement regarding any increase of the fees payable under the company secretarial services agreement or with immediate effect at any time upon sending written notice to the other party if the other party commits a material breach of its obligations which such party fails to remedy within 45 days of receipt of notice to do so from the non-defaulting party or if a resolution is passed or an order made for the winding-up, dissolution or administration of the other party, or if the other party is declared insolvent or if an administrator, administrative receiver, manager or provisional liquidator (or similar officer to any of the foregoing in the relevant jurisdiction) is appointed over the whole of or a substantial part of the other party or its assets or undertakings.
- (e) The company secretarial services agreement is governed by English law and both parties submit to the exclusive jurisdiction of the English courts.

#### 9.5 Investment Agreement

The Company has entered into various arrangements with certain of its shareholders that regulated the relationship of those shareholders with each other and with the Company and certain aspects of the affairs and dealings of the Company (including an investment agreement entered into in March 2015, various subscription documents and an investment agreement entered into in September 2016. These documents included provisions governing the business of the Group and the transfer of shares in the Company as well as certain provisions relating to an 'exit' (which included Admission). The Company and certain members of management gave customary warranties under these arrangements. Each of these documents will be terminated without liability to the Company with effect from Admission pursuant to the terms of a deed of termination entered into by the Company and all relevant shareholders on 12 May 2017.

#### 9.6 Channel 4 Documents

The Channel 4 documents include a subscription letter, a deed of adherence and an advertising sales agreement.

The subscription letter was entered into between the Company, Channel Four and the investors under the Investment Agreement. It was executed as a deed on 11 July 2016 and provides for the allotment of preferred A shares to Channel Four in exchange for Channel Four delivering airtime in accordance with the advertising sales agreement. The subscription letter: (i) provides for Channel Four to be an investor under the Investment Agreement; (ii) expressly provides that it does not affect on-going rights and obligations under the Investment Agreement; (iii) lays out the procedure, requirements and timeline for the delivery of airtime to the Company and shares to Channel Four in accordance with the advertising sales agreement and the Investment Agreement; and (iv) sets out warranties, consents and undertakings of the Company, its

directors and its investors. The deed of adherence was entered into by Channel Four pursuant to the requirements of the Investment Agreement and confirms that Channel Four will be bound by the Investment Agreement.

The advertising sales agreement was entered into between the Company and Channel Four and sets out the terms on which airtime will be provided to the Company in exchange for shares pursuant to the subscription letter and deed of adherence. It provides for Channel Four to provide £2,352,941 of air time in six equal tranches between 18 July 2016 and 17 July 2017. This period is also the term of the agreement unless terminated earlier by the Company. The agreement also provides that Channel Four will be the Company's exclusive broadcast partner in the UK during the term of the agreement and for the 12 months following the term of the agreement, the Company will provide Channel Four with a minimum share of 50 per cent. of any broadcast advertising expenditure in the UK.

## **10 Lock-in Deeds**

- 10.1 The Lock-in Deeds were entered into on or around the date of this document between (1) Peel Hunt; and (2) certain other Shareholders. Each Lock-in Deed is conditional upon, *inter alia*, Admission occurring on or before 8.00 a.m. on 18 May 2017 (or such later date as the Company and Peel Hunt may agree, being not later than 8.30 a.m. on 1 June 2017).
- 10.2 Certain other Shareholders who hold more than one per cent. of the issued share capital of the Company at Admission have undertaken to the Company and Peel Hunt that they will not (and will procure that their respective connected persons will not) dispose of any Ordinary Shares or interest in Ordinary Shares or any rights arising from or attached to such Ordinary Shares (the **Relevant Interests**) at any time from Admission until the expiry of six months from Admission (the **Shareholder Lock-in Period**) without the prior written consent of Peel Hunt. These restrictions are subject to certain limited exceptions including transfers to connected persons and disposals by way of acceptance of a recommended offer of the entire issued share capital of the Company, made pursuant to a scheme of arrangement which is sanctioned by the court or where a transfer may be required by law.
- 10.3 Furthermore each such Shareholder has also undertaken to the Company and to Peel Hunt not to dispose of the Relevant Interests for the period of six months following the expiry of the Shareholder Lock-in Period other than through Peel Hunt or the Company's broker from time to time with a view to maintaining an orderly market in the Ordinary Shares. The relevant Shareholders benefit from certain exemptions from this restriction under the terms of the Lock-in Deed entered into by them.
- 10.4 The Lock-in Deeds are governed by English law and are subject to the exclusive jurisdiction of the English courts.

## **11 Related Party Transactions**

- 11.1 The Company has previously entered into arrangements with Kuba Wieczorek (through Kuba Photography, which is owned by Kuba Wieczorek; Kuba Photography rented photography equipment and passed it on to the Company at cost price), Silas Amos (design consultancy services), James Kydd (marketing consultancy services) and Natalie Bowen (commercial partnerships manager). There were no formal agreements in place for any of these arrangements. The arrangements with Kuba Wieczorek, Silas Amos and James Kydd have now been terminated. Natalie Bowen is now an employee of the Company.
- 11.2 A £6,000 loan was made to Kuba Wieczorek in December 2016. The loan resulted from Kuba Wieczorek incurring professional expenses on his personal credit card; the Company paid the entire bill amount and the portion of personal expenses on the bill was recorded as a loan to Kuba Wieczorek. This was repaid in January 2017.

## **12 Working Capital**

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

## **13 Litigation**

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

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

### **14.1 Mandatory bids**

Other than as provided by the City Code and Chapter 28 of the Act, there are no rules or provisions relating to mandatory bids and/or squeeze-out and sell-out rules that apply to the Ordinary Shares or the Company. The City Code applies to the Company. Under Rule 9 of the City Code, if an acquisition of interests in shares were to increase the aggregate holding of the acquirer and its concert parties to interests in shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties would be required (except with the consent of the Panel) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for interests in shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of interests in shares by a person holding (together with its concert parties) shares carrying between 30 per cent. and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the total voting rights in the Company.

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

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

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

### **14.2 Squeeze-out rules**

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

### **14.3 Sell-out rules**

The Act also gives minority members a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the shares in the Company and, at any time before the end of the period within which the offer could be accepted, the offeror held or had agreed to acquire not less than 90 per cent. in value of the shares and not less than 90 per cent. of the voting rights carried by the shares in the Company, any holder of shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those shares. The offeror would be

required to give any member notice of his/her right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority members to be bought out, but that period cannot end less than three months after the end of the acceptance period or, if later, three months from the date on which notice is served on members notifying them of their sell-out rights. If a member exercises his/her rights, the offeror is entitled and bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

## 15 Significant Change

Save as disclosed in this document, there has been no significant change in the financial or trading position of the Company since 31 December 2016, being the date to which the last audited financial information was prepared.

## 16 Consents

- 16.1 Peel Hunt of Moor House, 120 London Wall, London EC2Y 5ET is authorised and regulated in the UK by the FCA. Peel Hunt has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and the references to it in the form and context in which it appears.
- 16.2 KPMG LLP, Chartered Accountants and registered auditors, of 15 Canada Square, Canary Wharf, London E14 5GL, has given and has not withdrawn its consent to the inclusion of its Accountants' report on the historical financial information on the Company in Section B of Part III of this document in the form and context in which it appears, and has authorised its report for the purposes of Schedule Two of the AIM Rules for Companies.

## 17 General

- 17.1 Expenses estimated at £2.3 million, including VAT, are payable by the Company (out of the Company's existing resources) in connection with the Placing and Admission.
- 17.2 The following people have also been engaged by the Group and have received, within the 12 months preceding the date of this document, professional fees from the Group in the following amounts:

<u>Name</u>	<u>Services Performed</u>	<u>Total Fees (£)</u>
Gabriele Hecht . . . . .	Consultancy Services	24,375.00
Sara Burke . . . . .	Consultancy Services	39,743.93
Silas Amos . . . . .	Consultancy Services	41,352.00
Paul Belford . . . . .	Consultancy Services	51,417.00
James Kydd . . . . .	Consultancy Services	68,996.25

- 17.3 Save as described in paragraph 9.7 and 17.2 of this Part VI, no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has received, directly or indirectly, within the 12 months preceding the date of this document or entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission:
- (a) fees totalling £10,000 or more;
  - (b) securities where these have a value of £10,000 or more calculated by reference to the Placing Price; or
  - (c) any other benefit with a value of £10,000 or more at the date of Admission.
- 17.4 Information in this document which has been sourced from third parties has been accurately reproduced and so far as the Company is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 17.5 Save as disclosed in this document, the Directors are unaware of any exceptional factors which have influenced the Company's activities.
- 17.6 Save as disclosed in this document, the Directors are unaware of any environmental issues that may affect the Company's utilisation of its tangible fixed assets.

- 17.7 Save as disclosed in this document, the Directors are unaware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for the current financial year.
- 17.8 Save as disclosed in this document, there are no investments in progress and there are no future investments on which the Directors have already made firm commitments which are significant to the Company.
- 17.9 Save as disclosed in this document, the Directors believe that the Company is not dependent on patents or licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Company's business or profitability.
- 17.10 Since the date of incorporation of the Company, there has been no takeover offer (within the meaning of Part 28 of the Act) for any Ordinary Shares.
- 17.11 The current accounting reference period of the Company ends on 31 December.
- 17.12 The financial information contained in Section A of Part III of this document does not constitute statutory accounts within the meaning of section 434(3) of the Act but is derived from the Group's statutory accounts for the years ended 31 December 2016 or period ended 31 December 2015. Statutory accounts for 2015 have been delivered to the registrar of companies but they were in respect of the Company only. Consolidated financial statements for 2016 will be delivered in due course. The auditor has reported on the 2016 consolidated financial statements and their report was unqualified. For the periods ended 31 December 2015 and 31 December 2016, the Company was entitled to exemption from audit under section 477 of the Companies Act 2006 and the members did not require the Company to obtain an audit of its financial statements in accordance with Section 476 of the Companies Act 2006.
- 17.13 The auditors for the period covered by the financial information set out in Section A of Part III of this document were KPMG LLP. KPMG LLP is a member firm of the Institute of Chartered Accountants in England and Wales.

## **18 Dealing Arrangements**

- 18.1 Application will be made to the London Stock Exchange for all the Enlarged Ordinary Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and that unconditional dealings in the Ordinary Shares will commence on the London Stock Exchange at 8.00 a.m. on 18 May 2017.
- 18.2 It is intended that, where applicable, definitive share certificates in respect of the Placing Shares will be despatched by 31 May 2017. Temporary documents of title will not be issued. It is intended that CREST accounts will be credited on 18 May 2017 or as soon as practicable thereafter. Where applicable, dealings in advance of crediting of the relevant CREST stock account(s) shall be at the sole risk of the persons concerned.
- 18.3 The Ordinary Shares are in registered form and are eligible for settlement in CREST. The ISIN for the Ordinary Shares is GB00BYWMFT51.

## **19 Availability of this Document**

A copy of this document is available at the Company's website [www.investor.evemattress.co.uk](http://www.investor.evemattress.co.uk).

Dated 15 May 2017







