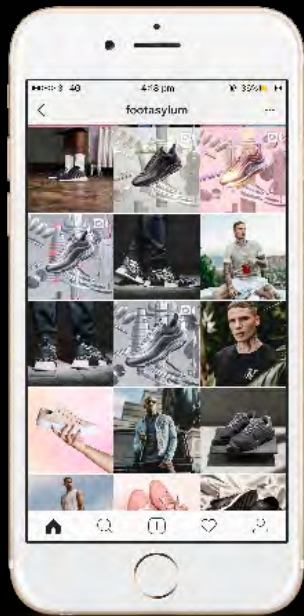
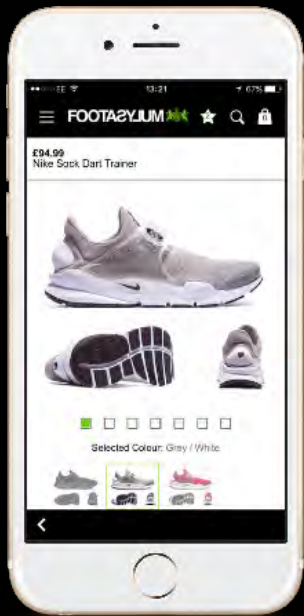
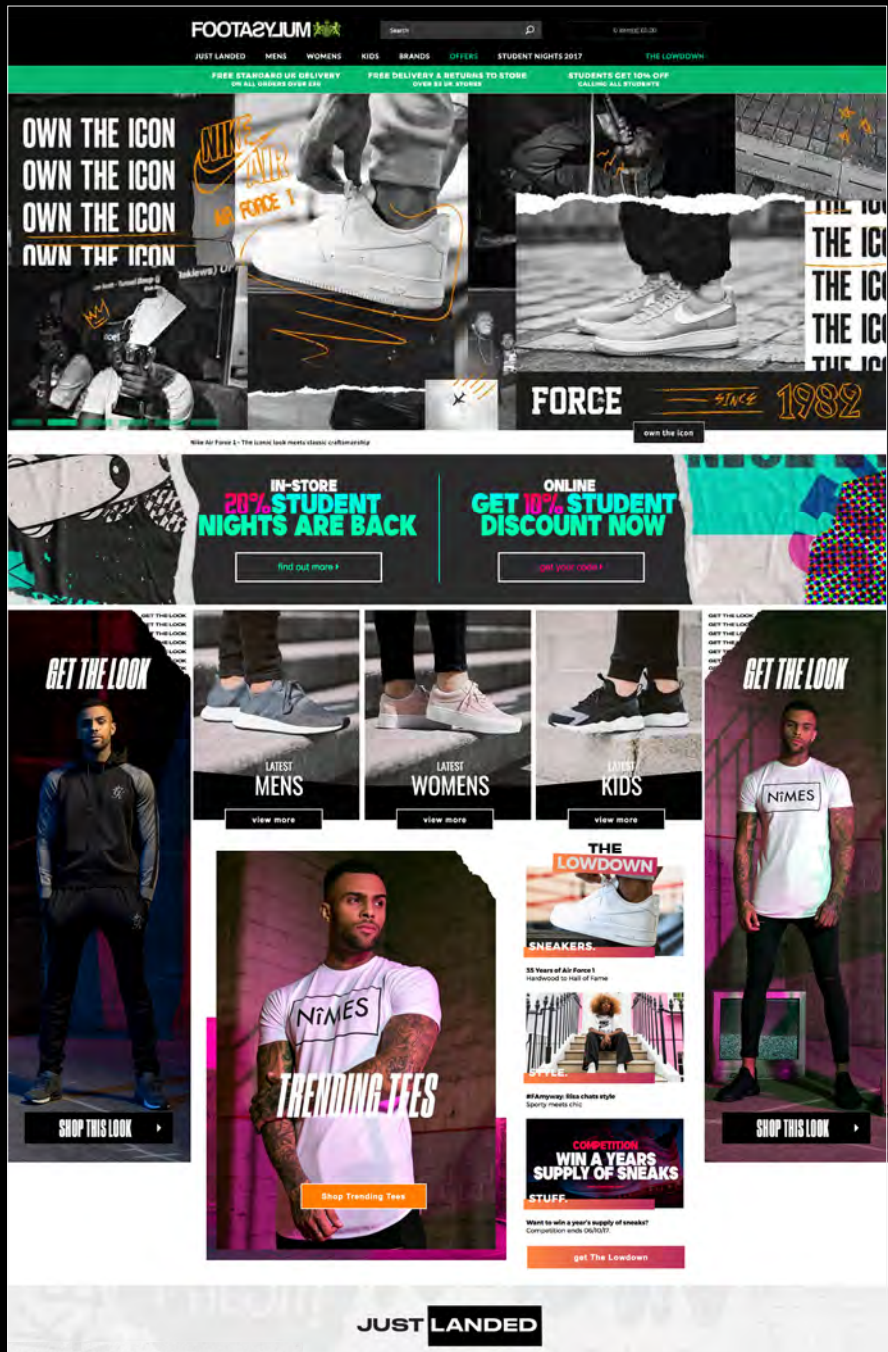




# FOOTA2YJUM

Admission Document





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

Application has been made for the entire issued and to be issued ordinary share capital of the Company to be admitted to trading on AIM, a market operated by London Stock Exchange plc. It is expected that Admission will become effective, and dealings in the Ordinary Shares will commence on 2 November 2017. The Ordinary Shares are not dealt on any other recognised investment exchange and no application has been or is being made for the Ordinary Shares to be admitted to any such exchange.

**AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required, pursuant to the AIM Rules published by London Stock Exchange plc, to have a nominated adviser. The nominated adviser is required to make a declaration to London Stock Exchange plc on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. Neither the UK Listing Authority nor the London Stock Exchange plc has not itself examined or approved the contents of this document.**

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

This Document, which is drawn up as an AIM admission document in accordance with the AIM Rules, has been issued in connection with the application for admission to trading on AIM of the entire issued and to be issued ordinary share capital of the Company. This Document does not constitute an offer to the public requiring an approved prospectus under section 85 of FSMA and, accordingly, this Document does not constitute a prospectus for the purposes of FSMA and the Prospectus Rules and has not been pre-approved by the FCA pursuant to section 85 of FSMA. Copies of this Document will be available free of charge to the public during normal business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of Eversheds Sutherland (International) LLP, 70 Great Bridgewater Street, Manchester, M1 5ES and the registered office of the Company, Sandbrook House, Sandbrook Park, Rochdale, Lancashire OL11 1RY from the date of this Document until one month from the date of Admission in accordance with the AIM Rules. A copy of this Document will also be available on the Company's website at [www.footasylum.com](http://www.footasylum.com).

The Directors, whose names appear on page 24 of this Document, and the Company accept responsibility, both individually and collectively, for the information contained in this Document. To the best of the knowledge and belief of the Company and the Directors (having taken all reasonable care to ensure that such is the case), the information contained in this Document is in accordance with the facts and does not omit anything likely to affect the import of such information.



## Footasylum plc

(a company incorporated in England and Wales with company number 05535565)

**Placing of 38,655,524 Ordinary Shares at £1.64 per Ordinary Share**

and

**Admission to trading on AIM**

**GCA Altium Limited**  
Financial Adviser and Nominated Adviser

**Liberum Capital Limited**  
Broker



### Share capital immediately following Admission

Number	Issued and fully paid	Amount £
104,474,390	ordinary shares of £0.001 each	104,474.39

The Placing is conditional, *inter alia*, on Admission taking place by 8.00 a.m. on 2 November 2017 (or such later date as the Company and GCA Altium Limited may agree, being not later than 30 November 2017). The New Shares and the Existing Ordinary Shares will, upon Admission, rank pari passu in all respects and will rank in full for all dividends and other distributions declared paid or made in respect of the Ordinary Shares after Admission. It is emphasised that no application is being made for the Enlarged Share Capital to be admitted to the Official List or to any other recognised investment exchange.

GCA Altium Limited, which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively for the Company and no-one else in connection with the Placing and Admission. It will not regard any other person (whether or not a recipient of this Document) as a client in relation to the Placing and Admission and will not be responsible to anyone other than the Company for providing the protections afforded clients of GCA Altium Limited or for the Placing and Admission or any transaction or arrangement referred to in this Document. GCA Altium Limited has not authorised the contents of any part of this Document for the purposes of the Prospectus Rules.

GCA Altium Limited's responsibilities as the Company's nominated adviser under the AIM Rules for Nominated Advisers are owed solely to London Stock Exchange plc and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire shares in the Company in reliance on any part of this Document. No representation or warranty, express or implied, is made by GCA Altium Limited as to any of the contents of this Document (without limiting the statutory rights of any person to whom this Document is issued).

Liberum Capital Limited, which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively for the Company and no-one else in connection with the Placing and Admission. It will not regard any other person (whether or not a recipient of this Document) as a client in relation to the Placing and Admission and will not be responsible to anyone other than the Company for providing the protections afforded clients of Liberum Capital Limited or for the Placing and Admission or any transaction or arrangement referred to in this Document. Liberum Capital Limited has not authorised the contents of any part of this Document for the purposes of the Prospectus Rules.

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

This Document does not constitute an offer to sell or an invitation to subscribe for, or solicitation of an offer to subscribe for or buy, shares to any person in any jurisdiction to whom it is unlawful to make such offer, invitation or solicitation. In particular, this Document must not be taken, transmitted, distributed or sent, directly or indirectly, in, or into, the United States of America, Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa or transmitted, distributed or sent to, or by, any national, resident or citizen of such countries. Accordingly, the Placing Shares may not, subject to certain exceptions, be offered or sold, directly or indirectly, in, or into, or from, the United States of America, Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa or in any other country, territory or possession where to do so may contravene local securities laws or regulations. The Placing Shares have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) or under the securities legislation of any state of the United States of America, any province or territory of Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa and may not be offered or sold, directly or indirectly, within the United States of America or Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa or to or for the account or benefit of any national, citizen or resident of the United States of America, Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa or to any US person (within the definition of Regulation S made under the United States Securities Act 1933 (as amended)).

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

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## **IMPORTANT INFORMATION**

In deciding whether or not to invest in the Ordinary Shares, prospective investors should rely only on the information contained in this Document. No person has been authorised to give any information or make any representations other than as contained in this Document and, if given or made, such information or representations must not be relied on as having been authorised by the Company, the Directors, GCA Altium Limited or Liberum Capital Limited. Neither the delivery of this Document nor any subscription or purchase made under this Document shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this Document or that the information contained herein is correct as at any time after its date.

Investment in the Company carries risk. There can be no assurance that the Company's strategy will be achieved and investment results may vary substantially over time. Investment in the Company is not intended to be a complete investment programme for any investor. The price of Ordinary Shares and any income from Ordinary Shares can go down as well as up and investors may not realise the value of their initial investment. Prospective Shareholders should carefully consider whether an investment in Ordinary Shares is suitable for them in light of their circumstances and financial resources and should be able and willing to withstand the loss of their entire investment (see Part II: "Risk Factors" of this Document).

Potential investors contemplating an investment in Ordinary Shares should recognise that their market value can fluctuate and may not always reflect their underlying value. Returns achieved are reliant upon the performance of the Group. No assurance is given, express or implied, that Shareholders will receive back the amount of their investment in Ordinary Shares.

If you are in any doubt about the contents of this Document, you should consult your stockbroker or your financial or other professional adviser.

Investment in the Company is suitable only for financially sophisticated individuals and institutional investors who have taken appropriate professional advice, who understand and are capable of assuming the risks of an investment in the Company and who have sufficient resources to bear any losses which may result therefrom.

Potential investors should not treat the contents of this Document or any subsequent communications from the Company as advice relating to legal, taxation, investment or any other matters. Potential investors should inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer, or other disposal of Ordinary Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of Ordinary Shares that they might encounter; and (c) the income and other tax consequences that may apply in their own countries as a result of the purchase, holding, transfer or other disposal of Ordinary Shares. Potential investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein.

This Document should be read in its entirety before making any investment in the Company.

### **Forward looking statements**

Certain statements contained in the Document are forward looking statements and are based on current expectations, estimates and projections about the potential returns of the Group and industry and markets in which the Group operates, the Directors' beliefs and assumptions made by the Directors. Words such as "expects", "anticipates", "may", "should", "will", "intends", "plans", "believes", "targets", "seeks", "estimates", "aims", "projects", "pipeline" and variations of such words and similar expressions are intended to identify such forward looking statements and expectations. These statements are not guarantees of future performance or the ability to identify and consummate investments and involve certain risks, uncertainties, outcomes of negotiations and due diligence and assumptions that are difficult to predict, qualify or quantify. Therefore, actual outcomes and results may differ materially from what is expressed in such forward looking statements or expectations. Among the factors that could cause actual results to differ materially are: the general economic climate, competition, interest rate levels, loss of key personnel, the result of legal and commercial due diligence, the availability of financing on acceptable terms and changes in the legal or regulatory environment.

Such forward looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. These forward looking statements speak only as of the date of this Document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statements contained herein to reflect any change in the Company's expectations with regard thereto, any new information or any change in events, conditions or circumstances on which any such statements are based, unless required to do so by law or any appropriate regulatory authority.

### **Presentation of financial information**

The financial information contained in this Document, including that financial information presented in a number of tables in this Document, has been rounded to the nearest whole number or the nearest decimal place. Therefore, the actual arithmetic total of the numbers in a column or row in a certain table may not conform exactly to the total figure given for that column or row. In addition, certain percentages presented in the tables in this Document reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

Certain non-IFRS measures such as operating profit before interest, taxation, depreciation, amortisation and exceptional one-off costs ("EBITDA") have been included in the financial information, as the Directors believe that these provide important alternative measures with which to assess the Company's performance. You should not consider EBITDA as an alternative for revenue or operating profit which are IFRS measures. Additionally, the Company's calculation of EBITDA may be different from the calculation used by other companies and therefore comparability may be limited.

### **No incorporation of website**

The contents of the Company's website (or any other website) do not form part of this Document.

### **Currencies**

Unless otherwise indicated, all references in this Document to "GBP", "£", "pounds sterling", "pounds", "sterling", "pence" or "p" are to the lawful currency of the United Kingdom, to "US\$", "US Dollar" are to the lawful currency of the United States of America, and to "EUR", "€" are to the lawful currency of the European Union.

### **General notice**

This Document has been drawn up in accordance with the AIM Rules and it does not comprise a prospectus for the purposes of the Prospectus Rules in the United Kingdom. It has been drawn up in accordance with the requirements of the Prospectus Directive only in so far as required by the AIM Rules and has not been delivered to the Registrar of Companies in England and Wales for registration.

This Document has been prepared for the benefit only of a limited number of persons all of whom qualify as "qualified investors" for the purposes of the Prospectus Directive, to whom it has been addressed and delivered and may not in any circumstances be used for any other purpose or be viewed as a document for the benefit of the public. The reproduction, distribution or transmission of this Document (either in whole or in part) without the prior written consent of the Company and GCA Altium Limited is prohibited.

### **Governing law**

Unless otherwise stated, statements made in this Document are based on the law and practice currently in force in England and Wales and are subject to changes therein.

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## EXECUTIVE SUMMARY

*The following information does not purport to be complete and is derived from and should be read in conjunction with more detailed information appearing elsewhere in this Document, in particular the section headed Risk Factors in Part II of this Document. Shareholders should read the whole of this Document and not rely on this summarised information.*

### **The Company**

Footasylum is a UK-based lifestyle fashion retailer, focused on bringing to market footwear and apparel collections predominantly aimed at 16 to 24 year old fashion-conscious customers.

The Company retails “on-trend”, “in demand” product ranges, sourced from an extensive stable of third party and own brands, which combine established sports and casual branded footwear and apparel with up-and-coming brands and own label products. The Directors believe that this is a differentiated, flexible approach which allows the Company to source fresh and relevant product, cater for differing regional trends and to build brand loyalty amongst its target audience.

The Company operates a multi-channel model which combines a 61-strong store estate – in a variety of high street, mall and retail park locations in cities and towns throughout Great Britain – with a fast-growing eCommerce platform and a recently launched wholesale arm (for distributing its own brand ranges via a network of partners). In FY17, the store estate accounted for 71 per cent. of revenue and eCommerce accounted for 29 per cent.

### **Trading and Prospects**

The Company grew rapidly during the three year period ended 25 February 2017, predominantly as a result of its store rollout (26 new stores were opened) and increasing volumes of online traffic. The Company has made significant investment in its multi-channel retail platforms and its central functions in order to support continued growth.

Trading in the current financial year to date has been in line with the Directors’ expectations, with revenue of £83.2 million in the 26 weeks to 26 August 2017, 36 per cent. ahead of the corresponding period in 2016. Stores accounted for 71 per cent. of revenue (2016: 74 per cent.), eCommerce 28 per cent. (2016: 26 per cent.) and wholesale one per cent. (2016: nil per cent.). EBITDA (before exceptional items relating to Admission) was 33 per cent. ahead of the corresponding period at £4.4 million (2016: £3.3 million).

The Company has opened five new stores in the financial year to date and expects to open four further stores before the financial year end.

The Directors believe there are significant opportunities for the Company to continue to grow with a disciplined store opening programme and the continued expansion of its digital sales channels.

### **Key Strengths**

The Directors believe the Company’s key strengths are as follows:

- |                                     |   |
|-------------------------------------|---|
| <b>Product-led proposition</b>      | access to a broad range of established brands and with the in house expertise to identify emerging trends and make products locally relevant and accessible;                        |
| <b>Multi-channel approach</b>       | allows the Company to enhance the customer experience and diversify revenue streams;  |
| <b>Symbiotic relationships</b>      | longstanding relationships with (and a key route to market for) some of the industry’s most influential brands, augmented by access to, and the incubation of, new on trend brands; |
| <b>Strong competitive position</b>  | a proven and modern business model with a highly visible and distinctive profile both on social media and on the high street;   |
| <b>Strong financial performance</b> | rapid growth in the UK market delivered to date;  |

<b>Growth potential</b>	significant growth potential through focused investment in the Company's integrated multi-channel strategy; and
<b>High calibre management</b>	an experienced and professional team combining entrepreneurialism with retail, financial and operational expertise

### **Growth Strategy**

The Directors believe that the Company has established an exciting, product-led, multi-channel proposition with significant opportunities for continued growth. The Directors have developed a clear growth strategy for the Company with the objectives of:

- increasing the Company's share of its chosen markets;
- continuing to build brand authority amongst the Company's target audience;
- enhancing the Company's reputation as a core distribution channel for its brand partners and continuously strengthening its brand relationships; and
- delivering long term sustainable value creation.

The Company's strategy is predicated on continued investment in the expansion of its existing routes to market, technology systems and marketing programmes to support its future growth and optimise its engagement with its customers. In particular, the Directors see the potential to grow the store estate in the UK to at least 150 and are targeting 8 to 10 new store openings per annum (net of any store closures) in the medium term. In addition, the Directors expect to make significant investments over the next three years in increasing the Company's digital presence as part of a broader upgrade of its IT systems to support growth. The Directors have a medium term strategic goal of 50 per cent. of overall revenue coming from online channels.

A portion of the net proceeds from the Placing receivable by the Company will be utilised, along with existing cash resources and debt facilities, to facilitate this growth investment.

### **Directors and Proposed Director**

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

- John Wardle, Executive Chairman
- Clare Nesbitt, Chief Executive Officer
- Danielle Davies, Chief Financial Officer
- Stephen Robertson, Independent Non-Executive Director
- Brendan Hynes, Independent Non-Executive Director

Barry Bown has committed to join the Board as Executive Chairman on or around 1 June 2018. Barry has over 30 years' retail experience, most of which was gained at the JD Sports chain, which he joined in 1984 and where he served as chief executive from 2000 to 2014. The Directors believe that Barry's extensive experience of building a retail business in the public domain and his excellent high level relationships with many major brands will enable him to make a valuable contribution to the Company's leadership team.

### **The Placing and the Subscription**

Subject to Admission, the Company will issue 26,474,390 New Shares pursuant to the Placing and the Subscription to raise approximately £43.4 million before expenses. Expenses payable by the Company in connection with Admission are estimated to amount to approximately £5.9 million (exclusive of VAT). Approximately £18.7 million will be used to redeem the Preference Shares in accordance with the Redemption Agreement and approximately £3.9 million will be used to repay a Director's loan made to the Company by the Chairman, John Wardle.

The Directors intend that the balance of the net proceeds of the Placing and the Subscription will, in addition to existing cash resources, available debt facilities and future operational cash flow, be used

to facilitate the Company's growth capital expenditure plan. This includes the continuation of its store rollout and further improvement of the Company's IT infrastructure and digital offering.

The Directors believe that the Placing and the Subscription will provide the Group with an appropriate capital structure to pursue its growth plans and that Admission will further raise the Company's profile and assist in attracting and retaining key employees through appropriate incentive arrangements.

The Selling Shareholders will raise, in aggregate, approximately £21.9 million before expenses through the sale of the Sale Shares.

### **Existing Shareholders ongoing interests**

The Existing Shareholders will, on Admission, be interested in approximately 63.0 per cent. of the Enlarged Share Capital.

Pursuant to the Placing Agreement, the Existing Shareholders have agreed (subject to certain exemptions) that they will not sell or otherwise dispose of further Ordinary Shares for a period of 12 months from Admission and, for a further 12 months thereafter, they will only sell or otherwise dispose of Ordinary Shares subject to orderly market restrictions.

In addition, the Company has entered into the Relationship Agreement with the Existing Shareholders to regulate their ongoing relationship from Admission. The purpose of the Relationship Agreement is to ensure that the Company is capable of being run independently from the personal interests of the Existing Shareholders.

The Takeover Panel will generally assume the Existing Shareholders to be acting in concert for the purposes of Rule 9 of the Takeover Code. Pursuant to the Relationship Agreement, each Existing Shareholder has undertaken, *inter alia*, not to acquire further interests in Ordinary Shares, which when aggregated with the interests of the other Existing Shareholders, would represent more than 63.03 per cent. of the issued Ordinary Shares from time to time without the consent of the independent Non-Executive Directors.

### **Risk Factors**

Your attention is drawn to Part II of this Document which sets out the risks associated with an investment in the Company. In addition to all other information in this Document, potential investors should consider carefully the risks described in that Part II before making a decision to invest in the Company.

## PLACING STATISTICS

Placing Price .....	£1.64
Number of Ordinary Shares in issue prior to the Placing .....	78,000,000
Number of New Shares to be issued by the Company pursuant to the Placing ....	25,274,390
Number of New Shares to be issued by the Company pursuant to the Subscription .....	1,200,000
Number of Sale Shares to be sold by Selling Shareholders pursuant to the Placing	13,381,134
Number of Ordinary Shares in issue immediately following Admission .....	104,474,390
Percentage of Enlarged Share Capital represented by the New Shares .....	25.3%
Percentage of Enlarged Share Capital represented by the Sale Shares .....	12.8%
Gross proceeds of the Placing and the Subscription .....	£65.4 million
Gross proceeds of the Placing and the Subscription receivable by the Company ..	£43.4 million
Estimated net proceeds of the Placing and the Subscription receivable by the Company .....	£37.5 million
Gross proceeds of the Placing receivable by the Selling Shareholders .....	£21.9 million
Estimated net proceeds of the Placing receivable by the Selling Shareholders ....	£20.5 million
Market capitalisation of the Company at Admission <sup>(1)</sup> .....	£171.3 million
EPIC/TIDM .....	FOOT
ISIN .....	GB00BYPHD607
SEDOL .....	BYPHD60

*Note*

(1) Based on the Placing Price

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	<b><u>2017</u></b>
Publication of this Document .....	27 October
Admission effective and commencement of dealings in the Ordinary Shares on AIM	2 November
CREST stock accounts credited (where applicable) .....	2 November
Dispatch of definitive share certificates (where applicable) by .....	16 November

*Notes*

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

## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors</b>	John Carruthers Wardle (Executive Chairman) Clare Michelle Nesbitt (Chief Executive Officer) Danielle Hazel Davies (Chief Financial Officer) Stephen Peter Robertson (Independent Non-Executive Director) Brendan Michael Hynes (Independent Non-Executive Director)
<b>Proposed Director</b>	Barry Colin Bown (Executive Chairman from June 2018)
<b>Company Secretary</b>	Nancy Kelsall
<b>Registered Office</b>	Sandbrook Park Sandbrook Way Rochdale Lancashire OL11 1RY
<b>Corporate website</b>	<a href="http://investors.footasylum.com/">http://investors.footasylum.com/</a>
<b>Financial Adviser and Nominated Adviser</b>	<b>GCA Altium Limited</b> 1 Southampton Street London WC2R 0LR
<b>Broker</b>	<b>Liberum Capital Limited</b> 25 Ropemaker Street London EC2Y 9LY
<b>Auditors and Reporting Accountants</b> <i>(for the purposes of the Historical Financial Information set out in Section B of Part III of this Document)</i>	<b>Grant Thornton UK LLP</b> 4 Hardman Square Spinningfields Manchester M3 3EB
<b>Solicitors to the Company</b>	<b>Eversheds Sutherland (International) LLP</b> 70 Great Bridgewater Street Manchester M1 5ES
<b>Solicitors to Nomad and Broker</b>	<b>Jones Day</b> 21 Tudor Street London EC4Y 0DJ
<b>Financial Public Relations</b>	<b>Powerscourt</b> 1 Tudor Street London EC4Y 0AH
<b>Registrars</b>	<b>Capita Asset Services</b> The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

## DEFINITIONS

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

“2006 Act”	the Companies Act 2006 (as amended)
“Admission”	the admission of the entire issued ordinary share capital of the Company, issued and to be issued pursuant to the Placing, to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules
“Admission Document” or “Document”	this Document
“Admission Date”	the date of Admission
“AIM”	the market of that name operated by the London Stock Exchange
“AIM Rules”	the AIM Rules for Companies published by the London Stock Exchange from time to time (including, without limitation, any guidance notes or statements of practice) which govern the rules and responsibilities of companies whose shares are admitted to trading on AIM
“AIM Rules for Nominated Advisers”	the rules setting out the eligibility, ongoing obligations and certain disciplinary matters in relation to nominated advisers, as published by the London Stock Exchange from time to time
“Articles”	the articles of association of the Company, which were adopted by special resolution dated 25 October 2017, conditional upon and with effect from the Redemption, a summary of which is set out in paragraph 6.2 of Part V of this Document
“Audit Committee”	the audit committee of the Board, as constituted from time to time
“Board” or “Directors”	the board of Directors of the Company (including a duly appointed committee hereof at which a quorum is present)
“Broker” or “Liberum”	Liberum Capital Limited
“CAGR”	compound annual growth rate
“certificated” or “in certificated form”	recorded on the relevant register of the share or security concerned as being held in certificated form in physical paper (that is not in CREST)
“Company” or “Footasylum”	Footasylum plc, a public limited company incorporated in England and Wales with company number 05535565 and registered office Sandbrook House, Sandbrook Park, Rochdale, Lancashire OL11 1RY
“Corporate Governance Code”	the UK Corporate Governance Code published by the Financial Reporting Council as modified by the QCA Guidelines
“CREST”	the computer based system and procedures which enable title to securities to be evidenced and transferred without a written instrument, administered by Euroclear UK & Ireland in accordance with the CREST Regulations
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755), including (i) any enactment or subordinate legislation which

	amends or those regulations; and (ii) any applicable rules made under those regulations or such enactment or subordinate legislation for the time being in force
“CSOP”	the Footasylum plc Company Share Option Plan
“Dealing Day”	a day on which the London Stock Exchange is open for the transaction of business
“DTRs”	the Disclosure Rules and Transparency Rules (in accordance with section 73A(3) of FSMA) relating to the disclosure of information in respect of financial instruments which have been admitted to trading on a regulated market or for which a request for admission to trading on such a market has been made
“Enlarged Share Capital”	the issued ordinary share capital of the Company on Admission as enlarged by the issue of the New Shares
“ERP”	enterprise, resource and planning
“EU”	the European Union
“Euroclear UK & Ireland”	Euroclear UK & Ireland Limited, a company incorporated under the laws of England and Wales with registered number 2878738 and the operator of CREST
“Existing Ordinary Shares”	the Ordinary Shares in issue at the date of this Document
“Existing Shareholders”	the Shareholders at the date of this Document
“FCA”	the Financial Conduct Authority
“FSMA”	the Financial Services and Markets Act 2000 (as amended)
“FY”	a financial “year” of the Group ending in the year specified in the relevant reference to “FY” (it being noted that the Group’s most recent annual accounting periods ran to 22 February 2015, 28 February 2016 and 25 February 2017)
“Group”	the Company and its subsidiary undertakings
“HMRC”	Her Majesty’s Revenue and Customs
“IFRS”	International Financial Reporting Standards as issued by the International Standards Accounting Board as adopted by the European Commission for use in the European Union
“IT”	Information Technology
“ITEPA”	Income Tax (Earnings and Pensions) Act 2003
“KPI”	key performance indicator
“London Stock Exchange”	London Stock Exchange plc
“LTIP”	the Footasylum plc Long Term Incentive Plan
“MAR”	the EU Market Abuse Regulation (Regulation (EU) No 596/2014)
“New Shares”	the 26,474,390 new Ordinary Shares to be issued by the Company pursuant to the Placing and the Subscription Agreement
“Nomad” or “GCA Altium”	GCA Altium Limited
“Nomination Committee”	the nomination committee of the Board, as constituted from time to time

“Official List”	the official list maintained by the UK Listing Authority
“Ordinary Shares”	ordinary shares of £0.001 each in the capital of the Company
“P&P”	postage and packaging
“Panel” or “Takeover Panel”	the UK Panel on Takeovers and Mergers
“PDMR”	person discharging managerial responsibilities
“Placees”	the subscribers for, and acquirers of, Placing Shares pursuant to the Placing
“Placing”	the conditional placing by the Broker, as agent for the Company, of the Placing Shares pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement dated 27 October 2017 between, (1) the Company (2) the Directors (3) the Nomad (4) the Broker and (5) the Selling Shareholders relating to the Placing, details of which are set out in paragraph 14.1 of Part V of this Document
“Placing Price”	£1.64 per Placing Share
“Placing Shares”	the 25,274,390 New Shares to be issued and allotted pursuant to the Placing and the 13,381,134 Sale Shares to be sold pursuant to the Placing
“Preference Shares”	the 18,700,000 cumulative redeemable preference shares of £1.00 each issued by the Company
“Preference Shareholders”	the holders of the Preference Shares whose names are set out in paragraph 4.2.12 of Part V of this Document
“Prospectus Directive”	EU Prospectus Directive 2003/71/EC, as amended
“Prospectus Rules”	the Prospectus Rules made by the FCA pursuant to sections 73(A)(1) and (4) of FSMA
“QCA”	the Quoted Companies Alliance
“QCA Guidelines”	the Corporate Governance Code for Small and Mid-size Quoted Companies published by the QCA in May 2013
“Recognised Growth Market”	a market recognised as such by HMRC and included on the list of Recognised Growth Markets maintained and published on the HMRC website
“Recognised Stock Exchange”	any market of a recognised investment exchange as defined by section 1005 of the Income Tax Act 2007
“Redemption”	the redemption by the Company of the Preference Shares, in accordance with the Redemption Agreement
“Redemption Agreement”	the conditional agreement dated 27 October 2017 between the Company and the Preference Shareholders relating to the Redemption
“Registrars”	the Company’s registrars, being Capita Asset Services
“Remuneration Committee”	the remuneration committee of the Board, as constituted from time to time
“RIS”	a Regulatory Information Service
“Sale Shares”	the 13,381,134 Ordinary Shares to be sold by Selling Shareholders pursuant to the Placing



“SAYE Scheme”	the Footasylum plc Save As You Earn Scheme
“Schedule 2 Share Incentive Plan”	a scheme which meets the requirements of Parts 2 to 9 (inclusive) of Schedule 2 ITEPA
“Schedule 3 Save as you Earn Scheme”	a scheme which meets the requirements of Parts 2 to 7 (inclusive) of Schedule 3 ITEPA
“Schedule 4 CSOP Scheme”	a scheme which meets the requirements of Parts 2 to 6 (inclusive) of Schedule 4 ITEPA
“SKU”	stock keeping unit
“Selling Shareholders”	those Existing Shareholders selling Sale Shares in the Placing whose names and business addresses are set out in paragraph 19 of Part V of this Document
“Shareholder(s)”	holder(s) of Ordinary Shares from time to time
“Share Incentive Plans”	the LTIP, the CSOP and the SAYE Scheme
“Subscription”	the subscription for the Subscription Shares by David Makin pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the conditional agreement between the Company, David Makin and The John Wardle 2016 Settlement dated 27 October 2017 pursuant to which David Makin has, conditional upon Admission, subscribed for the Subscription Shares, further details of which are set out in paragraph 14.3 of Part V of this Document
“Subscription Shares”	the 1,200,000 New Shares to be subscribed pursuant to the Subscription Agreement
“Subsidiaries”	any subsidiary undertaking as defined in the 2006 Act
“Takeover Code”	the City Code on Takeovers and Mergers
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	the FCA, acting in its capacity as the competent authority for the purposes of FSMA
“uncertificated” or “uncertificated form”	recorded on the relevant register of the share or security as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“US” or “United States”	the United States of America and all of its territories and possessions
“VAT”	value added tax
“YTD”	year to date
“£” or “Sterling”	British pounds sterling

Any reference in this Document to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof.

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

**PART I**  
**INFORMATION ON FOOTASYLUM**

**1. INTRODUCTION**

Footasylum is a UK-based lifestyle fashion retailer, focused on bringing to market footwear and apparel collections predominantly aimed at 16 to 24 year old fashion-conscious customers.

The Company retails “on-trend” “in demand” product ranges, sourced from an extensive stable of third party and own brands, which combine established sports and casual branded footwear and apparel with up-and-coming brands and own label products. The Directors believe that this is a differentiated, flexible approach which allows the Company to source fresh and relevant product, cater for differing regional trends and to build brand loyalty amongst its target audience.

The Company operates a multi-channel model which combines a 61-strong store estate – in a variety of high street, mall and retail park locations in cities and towns throughout Great Britain – with a fast-growing eCommerce platform and a recently launched wholesale arm (for distributing its own brand ranges via a network of partners). In FY17, the store estate accounted for 71 per cent. of revenue and eCommerce accounted for 29 per cent.

The Company’s strong recent financial performance is summarised below:

	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY15 - FY17</u> <u>CAGR</u>
Revenue (£million) . . . . .	78.0	110.4	147.0	37%
EBITDA (£million) . . . . .	2.2	6.1	11.2	126%
No. of stores at year end . . . . .	34	44	56	

The Company grew rapidly during the three year period ended 25 February 2017, predominantly as a result of its store rollout and increasing volumes of online traffic. The Company has made significant investment in its multi-channel retail platforms and its central functions in order to support continued growth.

Trading in the current financial year to date has been in line with the Directors’ expectations, with revenue of £83.2 million in the 26 weeks to 26 August 2017, 36 per cent. ahead of the corresponding period in 2016. Stores accounted for 71 per cent. of revenue (2016: 74 per cent.), eCommerce 28 per cent (2016: 26 per cent.), and wholesale accounted for one per cent. (2016: nil per cent.). The Company has opened five new stores in the current financial year to date and expects to open four further stores before the financial year end.

The Directors believe there are significant opportunities for the Company to continue to grow with a disciplined store opening programme and the continued expansion of its digital sales channels.

**2. HISTORY AND DEVELOPMENT**

Footasylum was founded in 2005 by David Makin, a well known retail operator and one of the co-founders of the JD Sports chain.

The key milestones in the Company’s history are summarised below:

- FY07 . . . . . First Footasylum store opened
- FY08 . . . . . www.footasylum.com launched
- FY09 . . . . . John Wardle, co-founder of the JD Sports chain with David Makin, joined as CEO  
  - Flagship Liverpool store opened
- FY10 . . . . . Clare Nesbitt (née Makin) joined the Company
- FY13 . . . . . Clare Nesbitt appointed Deputy CEO
- FY14 . . . . . Flagship Trafford Megastore opened, trading from 30 stores by year end

- FY15 . . . . . Major improvements made in the Company’s infrastructure:
  - Headquarters relocated to Sandbrook Park
  - Distribution centre consolidated into a single unit
  - Warehouse systems and processes upgraded
- FY16 . . . . . Clare Nesbitt appointed CEO, with John Wardle moving to Executive Chairman  
 Jack Spellacy promoted to Buying and Merchandising Director  
 10 new stores opened, trading from 44 stores by year end  
 Junior apparel category launched
- FY17 . . . . . 12 new stores opened including new concept, 7Liverpool (in Liverpool)  
 Danielle Davies joined the Company as CFO  
 Nursery apparel and online women’s apparel categories launched
- FY18 YTD . Five new stores opened, taking the store estate to 61 as at the date of this Document  
 Leeds store upsized to a flagship store, including the Company’s first standalone store-  
 in-store showcasing women’s footwear, apparel and accessories  
 Wholesale arm launched – own brand ‘Kings Will Dream’ distributed by retail partners,  
 including ASOS

**3. KEY STRENGTHS**

The Directors believe the Company’s key strengths are as follows:

- Product-led proposition** . . . . . access to a broad range of established brands and with the in-house expertise to identify emerging trends and make products locally relevant and accessible;
- Multi-channel approach** . . . . . allows the Company to enhance the customer experience and diversify revenue streams;
- Symbiotic relationships** . . . . . longstanding relationships with (and a key route to market for) some of the industry’s most influential brands, augmented by access to, and the incubation of, new on trend brands;
- Strong competitive position** . . . . . a proven and modern business model with a highly visible and distinctive profile both on social media and on the high street;
- Strong financial performance** . . . . . rapid growth in the UK market delivered to date;
- Growth potential** . . . . . significant growth potential through focused investment in the Company’s integrated multi-channel strategy; and
- High calibre management** . . . . . an experienced and professional team combining entrepreneurialism with retail, financial and operational expertise

**4. BUSINESS OVERVIEW**

**Fascias**

Footasylum, the Company’s core fascia, accounted for approximately 97 per cent. of FY17 revenue. The associated website (www.footasylum.com) accounted for 95 per cent. of FY17 online revenue.

Each Footasylum store is fitted out in the Company’s distinctive style, tailored to the local market, and makes use of video, music and photography to create lively and relevant environments for its target 16 to 24 year old customer base. Each store offers a broad range of footwear, apparel and accessories encompassing the Company’s core brand and product ranges and augmented by locally relevant brands in accordance with the Company’s strategy of catering for different regional demographics. The Directors believe that the Footasylum fascia and associated online presence has evolved into an established distribution channel for its key brand partners.

As at 27 October 2017, 59 stores were operated by the Company under the core Footasylum fascia.

The Company has two offshoot fascia which together accounted for three per cent. of FY17 revenue.

- Drome is menswear focused and comprises a standalone store and four concessions within Footasylum stores as well as a dedicated website.
- 7Liverpool is a retailer of men's luxury casual footwear which operates as a single concept store in Liverpool and has a dedicated website. It is strategically positioned to access high end product which is typically subject to limited distribution.

Whilst significantly smaller than the core Footasylum estate in terms of scale, the offshoot fascias are strategically positioned to strengthen relationships with suppliers and enhance access to product.

### **Target customers**

Footasylum's core target customers are fashion conscious 16 to 24 year olds. The Directors believe that this core audience typically has limited or no dependants and a tendency to prioritise discretionary spend on aesthetics and image (clothing and footwear in particular). In the Directors' view, 16 to 24 year olds are more willing to embrace new trends (which may then be adopted by other demographics) and are, therefore, particularly important as target customers. 16 to 24 year olds are also the most prominent users of digital sales channels.

The Company segments its target customers into six core audiences (or "Tribes") for the purposes of assembling product offerings. Each Tribe has a nuanced demographic and regional profile. For example, product for the "Urban" Tribe is more popular in inner city areas. An in depth understanding of these characteristics allows the Company to tailor its product range to each "Tribe" appropriately and to protect against a reliance on any one trend.

Historically, the Company's sales have predominantly been of menswear products. In FY17, menswear accounted for 71 per cent. of revenue, compared to eight per cent. for womenswear and 18.5 per cent. for childrenswear (including nursery). Accessories accounted for the remaining 2.5 per cent. The Company, supported by many of its key brands, has been expanding its ranges for women and children and the Directors believe that these markets represent attractive growth opportunities for the Company. The Company has recently upsized its Leeds store to include a first standalone store showcasing women's footwear, apparel and accessories. The Directors are encouraged by the early strong performance of this store in both revenue and EBITDA terms following its upsize and plan to open more women's dedicated segments in the future.

### **Products**

Footasylum provides a broad range of footwear, apparel and accessories for men, women and children.

To date, footwear has been the largest category by sales, accounting for 58 per cent. of FY17 revenue. However, with new product ranges being added, the apparel and accessory categories are growing strongly both in absolute terms and as a proportion of overall revenue. They accounted, in aggregate, for 42 per cent. of FY17 revenue compared to 38 per cent. of FY15 revenue.

The Company has an extensive product range with no overreliance on any particular stock keeping unit (SKU). In FY17, Footasylum sold over 17,000 SKUs across all channels. The top 20 SKUs accounted for just seven per cent. of FY17 revenue, highlighting a limited reliance on any big selling SKU. The Directors believe that the Company's extensive range of SKUs (the long tail) is strategically important both as a point of differentiation and as a means of enabling in-store localisation. The Directors believe that the Company has a limited number of competitors that can rival its branded footwear offering.

The product offering in any year is determined by the trends attracting the interest of the Company's core Tribes. Therefore, bestsellers in both footwear and apparel categories vary year on year, depending on the latest trends.

The Directors believe that the versatility of the Company's approach enables it to be nimble, capitalise on market trends early and to obtain a key competitive advantage over many of its peers which may be more constrained by style and/or product category.

**Brands**

Footasylum sells approximately 300 brands across a typical year, combining globally established brands such as Nike and adidas, with smaller, up and coming brands such as Gym King, as well its own, in-house labels. As the Company sells “on trend” fashion, the brand composition of its offering shifts over time.

**Third Party Brands**

Global third party brands constitute the core of the Footasylum offering. Revenues by brand as a proportion of revenues fluctuate with current trends. In FY17, around half of revenues were generated from the sale of Nike and adidas products. As the Company has grown and reinforced its position as a valuable route to market, it has enhanced its relationships with these global brands and subsequently benefitted from greater access to their product.

In addition, the Company has an entrepreneurial approach to incubating and supporting young, up and coming (so called “bedroom”) brands. The Directors believe that access to these bedroom brands enables the Company to target local trends and to be more flexible and relevant in its product collections at each store location. Examples of third party brands include:

<b>adidas</b>	<b>Nike</b>	<b>The North Face</b>	<b>Gym King</b>	<b>Converse</b>	<b>new balance</b>
<b>EA7</b>	<b>Vans</b>	<b>Nicce London</b>	<b>Sik Silk</b>	<b>under armour</b>	<b>Calvin Klein</b>

The Company adopts a relationship-led approach with its brand suppliers and where possible collaborates on product creation in order to enhance its ability to optimise collections for its core Tribes.

The Directors believe that the Company’s growing scale and expertise, in addition to its multi-channel approach, has improved its relationships with brand suppliers over time as a valued distribution channel. The Directors consider the Company’s increasing access to product and range to reflect its rising status and increasingly strong relationships with brand partners.

**Own Brands**

The Company has levered in-house design expertise to curate a stable of own brands. These brands capitalise on upcoming trends in markets which the Directors believe are underserved by products from existing third party brand relationships.

The Company’s design team works alongside its buyers to research and identify new trends from which the Company can introduce fresh and relevant product for its target audiences and augment its third party branded ranges. The Directors believe the Company’s in-house design facilitates shorter lead times from concept to store and enhance its ability to capitalise on fast moving trends.

To date the Company has created five core own brands including:



The Company’s “Kings Will Dream” brand was launched at the end of FY14 and became the Company’s third bestselling brand overall in FY17. Kings Will Dream has its own website and Android “app”, both launched in March 2017. The Company launched a “Glorious Gangsta” website on 17 October 2017.

**Buying and Merchandising**

The buying and merchandising function provides the creative input into all product direction (identifying new trends and maintaining a fresh and relevant product offering) and manages product lifecycle, aiming to ensure products are available in the optimal location.

## **Buying**

The buyers are structured into category teams, e.g. men's footwear or women's apparel, with the aim of ensuring that the product offering ultimately remains "on-trend" rather than becoming too brand-centric, or brand dependent. Major brand relationships are held at both buyer and Board/Senior Management level.

Product decisions are predominantly category-led with selections based on perceived market opportunity. Key influences upon the product offering may include:

- in-depth research into upcoming trends on an international, national and local level;
- core brand support (e.g. for women's ranges);
- location-based micro-trends (e.g. the rising profile of local brands);
- representation of the Company's core Tribes; and
- economic factors (e.g. margin, growth, market share).

The buying team is recruited based on cultural fit and market knowledge. The Directors believe that the Company has been successful in attracting and developing a team of enthusiastic buyers and that this has been a key element in the success of its buying strategy to date.

## **Merchandising**

The merchandising team is responsible for driving stock efficiency and maximising sales opportunity over a product's lifecycle. The Company aims to optimise selling space in its stores and ensure slower moving stock is replaced with more compelling product and subsequently redistributed.

Discounting is used selectively and traditional "sale" periods (e.g. Black Friday), are also used by the Company as an opportunity to capitalise on the halo effect of significantly higher footfall showcasing full price new product and brand launches. Historically, more product has been sold at full price on Black Friday and Boxing Day than at discount. Whilst the Christmas period remains key, seasonality is further mitigated as the Company targets campaigns at other points in the year, such as start of term for students.

## **5. ROUTES TO MARKET**

Footasylum's multi-channel approach combines a modern, differentiated store estate with a fast growing eCommerce platform, enabling customers to engage with Footasylum across multiple touchpoints. The Company has also recently launched a wholesale platform for the distribution of its own brand products.

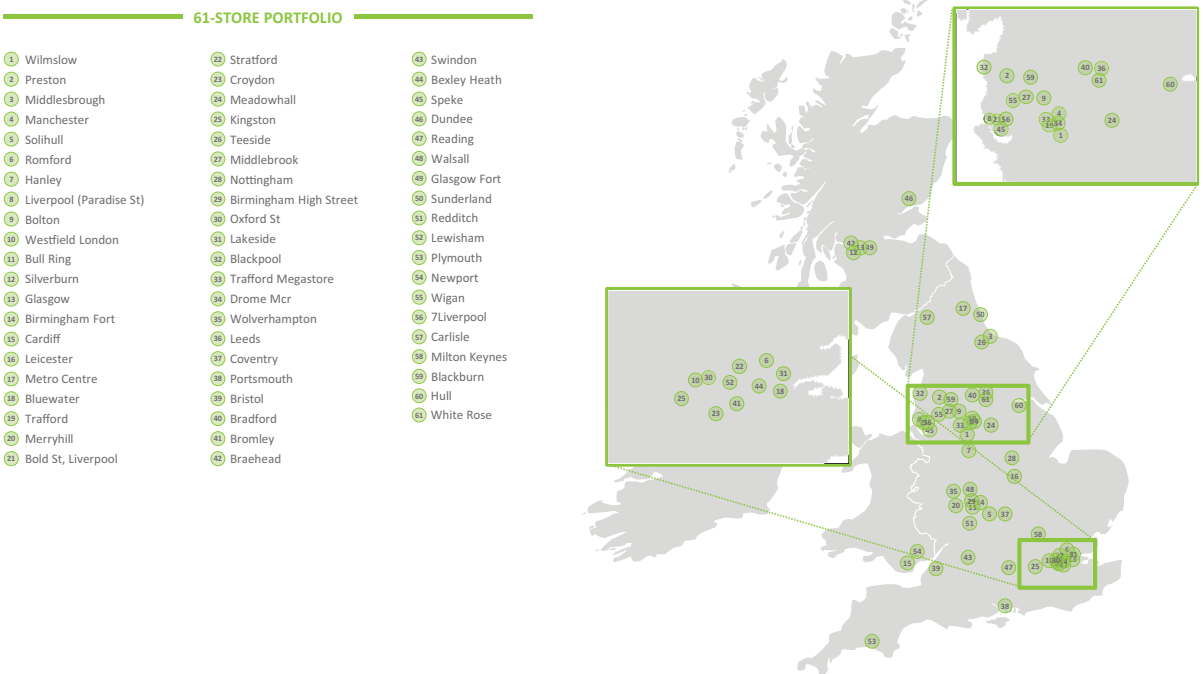
### **Stores**

	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>HY17</u>	<u>HY18</u>
Revenue (£million) . . . . .	60.5	79.0	105.0	45.4	59.0
Net new stores ( <i>unaudited</i> ) . . . . .	4	10	12	4	3
Stores at period end ( <i>unaudited</i> ) . . . . .	34	44	56	48	59

As at the date of this Document, the Company has 61 stores, of which 59 are operated under the core Footasylum fascia. The stores are located predominantly in high street retail space within cities, market towns, regional malls and selected retail parks. Selling space per store across the estate ranges from 1,450 sq ft to 9,400 sq ft.

The Company categorises its stores into: Regional Shopping Centre, Major City, Secondary City, Town and Retail Park. The numbers of each store category and their locations are shown below:

Type of store	Regional Shopping Centre	Major City	Secondary City	Town	Retail Park
# stores	12	14	9	20	6



The Company’s management has a track record of delivering multiple store openings in a year. In FY16, 10 new stores were opened and a further 12 were opened in FY17.

The Company applies a structured and rigorous selection process to potential new sites, requiring a detailed appraisal of prospective footfall, population demographics and financial metrics (such as capex spend, mature gross sales and annual contribution), with a target payback of under 24 months. The Company’s store estate has historically performed ahead of expectations. Stores opened in FY15 and FY16 achieved an average payback of approximately 18 months, highlighting, the Directors believe, a proven methodology which can be applied to a disciplined rollout of further stores.

The 26 stores that were opened over the three years to 25 February 2017 have traded ahead of the Company’s original expectations. In FY17, all but two of 56 stores open during that year delivered a positive EBITDA contribution to the Company. The two loss making stores included Wilmslow, which was the first store to be opened and is due to close in FY19 and Oxford Street in London, which has helped build brand awareness.

New stores typically take six to eight weeks to fit out, with all store design undertaken in-house by a central design team to ensure consistency of brand messaging and to manage costs. Design briefs are aimed at creating an environment designed to appeal to the Company’s core, trend-following target audience.

The execution of store fit-out is overseen by the Company’s property team, utilising outside contractors to carry out the work. The store layout is determined by the Retail, Buying and Merchandising teams who work collaboratively, aiming to provide a compelling offering from the point of entry and ensure balanced brand representation. Store staff receive training to ensure a consistent level of customer service.

In addition to expanding the estate by the addition of new stores, the Company will consider upsizing existing stores in order to provide the capacity to sell a greater range of product without displacing existing SKUs.

In FY18 to date, the Company has opened five new stores, upsized two stores and refitted two stores. The Company expects to open at least four further stores before the year end.

Going forward, the Company expects to open 8 to 10 new stores per year.

**eCommerce**

	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>HY17</u>	<u>HY18</u>
Revenue (£million) . . . . .	17.5	31.4	42.0	15.7	23.5

eCommerce has become an increasingly prominent transactional channel for the Company over recent years and is now the Company’s fastest growing route to market. In FY17 online revenue represented 29 per cent. of overall revenue, up from 22 per cent. in FY15, delivering a two-year revenue CAGR of 55 per cent.

The Company operates dedicated websites for each of its fascias as well as for its own brands, Kings Will Dream and Glorious Gangsta (as of 17 October 2017), and “apps” for Footasylum, Kings Will Dream and 7Liverpool to enable its customer base to engage across multiple touchpoints and devices. To date, the vast majority of online sales have been placed through the [www.footasylum.com](http://www.footasylum.com) website.

The Company’s online channels showcase the widest product range, including online exclusives and promotions and allow the Company to test new products and brands ahead of rolling them out across its store estate. Typically, however, online sales are more footwear oriented than store sales, and as a result have a higher average order value but lower gross margins. In FY17, footwear represented 71 per cent. of online sales.

The Directors believe that the Company’s growing online presence has been an important contributing factor in strengthening the Company’s relationships with its major brand partners, and who the Directors believe increasingly recognise Footasylum as an effective communicator with 16 to 24 year olds.

The Company’s eCommerce platform is supported by its store network, which acts as a transactional channel for sales and returns. In addition, location mapping of web traffic helps to inform the Company about potential target locations for future stores. During FY17, approximately 11 per cent. of internet orders were attributable to click and collect.

Although the Company has not actively marketed overseas, approximately nine per cent. of FY17 online order volumes were delivered overseas. As a result, it is the Directors’ intention to launch translated sites and localised product, delivery and payment options to capitalise on the level of demand coming from outside the UK (principally in Europe).

The Directors expect that online sales will continue to account for an increasing proportion of overall sales and have a medium term strategic goal of 50 per cent. of overall revenue coming from online channels. The Company has and will continue to invest in its eCommerce capabilities with the aim of ensuring its systems and software are optimised in order to support this growth.

**Wholesale**

The Company’s own brands are designed to address specific product trends and to date have been sold exclusively through Company stores and websites.

Historically, the Company has kept production runs on own-brands short, on the basis that once they reach scale they lose relevance to their target customers. However, recognising an incremental sales opportunity for its maturing own brands, in March 2017, the Company launched a standalone wholesale arm with a view to expanding the distribution of its own brands through key wholesale accounts. The Directors believe that selling the Company’s own brands through its wholesale channel has the potential to expose them to a wider audience than would be achieved by only direct selling. The wholesale arm also allows mature own brands, that would previously have been shut down, to be sold via other retailers, allowing the Company to focus on developing new on-trend brands.

Kings Will Dream was the first own brand to be distributed through the wholesale platform. As at 30 September 2017, the Company had more than 75 wholesale agreements in place, the most significant being with ASOS, which has retailed Kings Will Dream globally since March 2017.



In the period from launch to 26 August 2017, the wholesale platform generated revenue of £0.65 million. Whilst wholesale gross margins are lower than retail, contribution is higher as a consequence of relatively lower operating costs.

While still in its infancy the Directors expect the wholesale platform to continue to provide incremental sales, to help build own brand value and to be an effective way of gauging both domestic and international appetite for additional own brand products.

## **6. MARKETING**

The Company has adopted a multichannel marketing strategy, employing both online and offline initiatives to drive brand and product awareness. Marketing initiatives are executed by a team of in-house marketing professionals and supported by specialist third party agencies.

### ***Online marketing***

Key online channels include paid search, organic search, email, social media, display and affiliates. The Company employs third party digital agencies for campaign optimisation.

The Company has invested in establishing its presence across key social media interfaces, managed by a dedicated in-house social media team. The Directors believe that social media is an increasingly critical part of the online channel, owing to its prominence as a communication tool amongst the Company's core customer base.

### ***Offline marketing***

Offline marketing channels include the Company's stores, out-of-home, target sponsorship deals, culturally aligned brand ambassadors and tactical events. Outdoor marketing is used locally to promote key trading periods and new store openings, whilst sponsorship of sporting and music events gains national coverage amongst relevant audiences and generates content for social media channels. The Company is supported by brand partners for in-store and online co-branded events such as new product launches.

## **7. HEAD OFFICE, WAREHOUSING AND FULFILMENT**

### ***Head Office***

The Company's head office is in Rochdale, Lancashire and houses central functions including Retail/eCommerce, Marketing, IT, Finance, Buying and Merchandising and Design. As at 30 September 2017, the Company employed 227 people across its central teams.

### ***Warehousing and distribution***

Warehousing and customer services are currently based at the Company's 133,875 sq ft distribution centre in Heywood, Lancashire (known as "M3"). M3 has the capacity to hold approximately 0.8 million units and operates on a 24/7 basis. As at 30 September 2017, it had 222 full and part time staff within the customer services, distribution, product listing, studio and transport functions. A quality control department ensures high levels of accuracy and product quality for eCommerce orders.

On 27 June 2017, the Company leased an additional circa 143,800 sq ft facility (known as "Point 62") to augment M3 and provide material additional warehousing capacity. Over the medium term the Directors intend to undertake a wider reorganisation of and investment in the enlarged warehouse operations in order to increase automation, streamline processes and maximise operational efficiency.

### ***Fulfilment***

#### ***Retail fulfilment***

Product is usually delivered to the Company's stores three to seven days per week, depending on the turnover of a particular store. During peak periods such as Christmas, almost all stores receive daily deliveries. The Company uses a local third party transport provider to deliver goods to the store estate. The transport provider has a dedicated staff member at the Company's distribution centre and uses a high-security fleet, fitted with tracking devices, cameras, alarms and encryptors to deliver the products.

### *eCommerce fulfilment*

A pool of six courier firms is used to deliver online orders to customers both in the UK and internationally. Courier selection is automated via a Metapack system, which optimises delivery costs, enabling the Company to be competitive on postage and packaging charges. Free delivery is currently available for orders over £50 and a click and collect option is available free of charge from all stores.

In FY17, the Company's average returns rate was 7.5 per cent. for retail revenue and 11.0 per cent. for online revenue. The Directors believe this is relatively low versus the broader retail industry. Approximately one third of these online returns were made in-store.

### **Customer services**

Footasylum's customer service team is responsible for handling customer communications via phone, email and social media.

The customer services function was materially enhanced in FY16 when a structured team was put in place and reporting functions introduced to enable the Company to capture weekly KPIs, customer reviews and statistics on communication volumes, complaint levels and resolution. This reporting is used to assist management in monitoring customer experience, both in store and online.

## **8. GROWTH STRATEGY**

The Directors believe that the Company has established an exciting, product-led, multi-channel proposition with significant opportunities for continued growth. The Directors have developed a clear growth strategy for the Company with the objectives of:

- increasing the Company's share of its chosen markets;
- continuing to build brand authority amongst the Company's target audience;
- enhancing the Company's reputation as a core distribution channel for its brand partners and continuously strengthening its brand relationships; and
- delivering long term sustainable value creation.

The Company's strategy is predicated on continued investment in the expansion of its existing routes to market, technology systems and marketing programmes to support its future growth and optimise its engagement with its customers. A portion of the net proceeds from the Placing receivable by the Company will be utilised, along with existing cash resources and debt facilities, to fund this investment.

### **Expansion of the Company's routes to market**

#### ***UK store rollout***

The Company has a relatively young estate (27 of the Company's 61 stores have been opened since February 2015). The Directors see the potential to grow the estate in the UK to at least 150 stores.

The Company is targeting 8 to 10 new store openings per annum (net of any store closures) in the medium term. It has a large number of target locations throughout the UK which the Directors believe could accommodate a successful Footasylum store. The Directors are keen to expand the Company's footprint within the M25 and to accelerate the opening of megastores in excess of 6,000 sq ft in appropriate locations.

The Company currently has a pipeline of 13 new stores, of which terms have been agreed on five and are being negotiated on a further eight. The Company has opened five stores in FY18 to date and the Directors expect to have opened a further four stores by the end of FY18, in line with their annual target.

In addition to opening new stores, the Company intends to upsize a number of the existing stores or to relocate them to larger sites in order to increase the selling or storage space and drive additional contribution. The Directors believe there is opportunity within the existing estate for 15 to 20 further upsizes and have budgeted for three to six upsizes per annum, subject to the negotiation of appropriate terms.

Whilst there are no current plans to open stores outside of the British Isles, the Directors believe there is the potential for the Company to enter selected under-served Western European markets. An

evaluation of this overseas opportunity is being undertaken by the Board, focusing on the required distribution, buying and merchandising enhancements.

### ***Continued development of the eCommerce platform***

Sales through the Company's eCommerce channels grew at a CAGR of 55 per cent. over the two years to 25 February 2017. The Directors recognise the importance of online engagement with Footasylum's core target audience and that further development of the Company's eCommerce capabilities is integral to its growth.

The Directors expect to make significant investments over the next three years to increase the Company's digital presence as part of a broader upgrade of its technology systems. The Company is planning to relaunch its core website (footasylum.com) and associated "apps", incorporating enhanced user features and other functionality.

The eCommerce team is working to a detailed development roadmap which aims to upgrade the user experience across multiple devices, improving functionality and facilitating richer content and more sophisticated data collection.

In FY17, approximately nine per cent. of online sales were placed from overseas markets, despite little or no marketing in these territories. To more effectively access potential overseas demand, the Company intends to launch translated websites.

### ***Wholesale and own brand expansion***

The Company's recently launched wholesale arm is aimed at leveraging the Company's own brand portfolio to create incremental value and drive global recognition of its maturing brands. Kings Will Dream is the first own brand to be distributed via the wholesale arm and the Directors intend to extend distribution to include further own brands where there is evidence of demand.

In order to facilitate the management of multiple distribution partners, the Directors anticipate investing further in the Company's wholesale operation. The Directors believe the current wholesale systems and infrastructure are capable of delivering significant growth.

The Company intends to leverage its in-house design expertise to support the expansion of its own brand portfolio and create extended product ranges for its core audiences which can then be distributed directly (via the Company's store estate and/or a dedicated transactional website) before being transitioned through to the wholesale arm.

The Directors believe that this multi brand wholesale strategy further diversifies the Company's revenues, assists in brand value creation and has the potential to become a significant contributor to the Group.

### ***Investment in systems***

The Directors intend to make significant investments in a programme of IT systems upgrades, to be implemented over the next three years. This will support the Company's medium term growth objectives, increase its internal controls, improve its reporting capabilities within core functions and provide a stable, resilient IT foundation.

As part of the systems upgrade, the Company is planning to transition to a new, bespoke ERP system which is intended to increase efficiency and introduce automation, which will then enable material further system enhancements. It will also reduce the Company's reliance on external providers.

In addition, the Company is intending to upgrade its in-store electronic point of sale systems and data and warehousing analytics.

### ***Investment in marketing***

The Company's marketing strategy to date has been primarily focused on digital marketing initiatives (paid search being the largest contributor of website traffic), supplemented by event-driven, tactical above-the-line campaigns.

The Directors believe that there is a significant opportunity to improve the conversion of online traffic (currently at around two per cent.) and the retention of existing customers. The Company's planned

investment in eCommerce functionality and systems is intended to enable the Company to capture the data required to better understand its customer audience and their respective preferences, facilitating personalised customer communications and more targeted digital marketing efforts and enhancing the user experience.

The Company strives to evolve and upgrade its digital media presence, particularly social media, which the Directors believe is pivotal to the Company’s ongoing engagement with its core 16 to 24 year old customer base, given their relatively high online activity.

The Directors expect investment in marketing to increase in the short term to help drive brand awareness. Selected above-the-line campaigns will be launched to increase brand awareness. Recent such campaigns include advertising at high profile football and boxing matches. The Company’s store estate is an important above-the-line marketing tool, and the Directors intend to continue to leverage this with the use of brand collaborations and in-store events and displays.

**9. MARKET AND COMPETITION**

Footasylum currently operates in the UK fashion retail market selling clothing, footwear and accessories for men, women and children.

**UK apparel and footwear market**

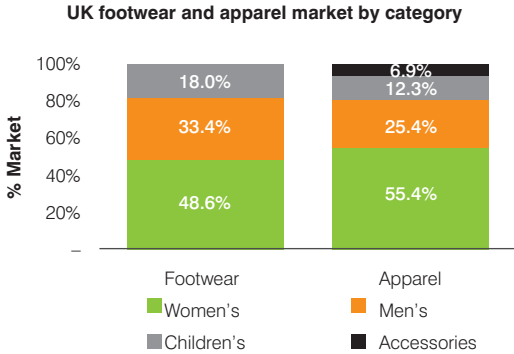


UK Clothing Market 2017-2022 by GlobalData



The UK Footwear Market 2016-2021 report by Verdict

In 2016, the UK clothing and footwear market was reportedly worth a combined £51 billion (£43 billion clothing / £8 billion footwear) and is expected to grow to over £57 billion by 2020. Clothing and footwear continue to be the biggest contributor of growth in the overall retail market, having grown 12.9 per cent. and 15.3 per cent. respectively in 2016.



Men’s categories are expected to be the key growth segments in the medium term, with GlobalData predicting 21.2 per cent. growth in men’s clothing during 2017-2022 and Verdict predicting 22.2 per cent. growth in men’s footwear during 2016 to 2021.

Whilst women’s clothing and footwear are expected to grow more conservatively over the same time periods (15.4 per cent. and 21.4 per cent. respectively), womenswear is expected to remain the largest category in absolute terms. The Directors believe there is a significant market opportunity to grow the Company’s sales of women’s footwear and apparel.

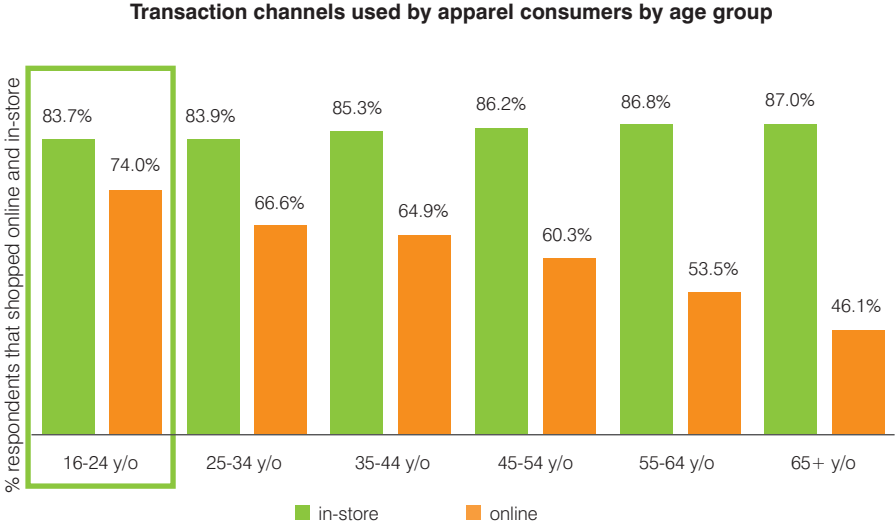
**Channel shift**

Online penetration in 2018 is expected to reach 28.1 per cent. for clothing (source: GlobalData) and 23.7 per cent. for footwear (source: Verdict).

The highest users of eCommerce channels are 16 to 24 year old customers, with 74 per cent. of respondents to the GlobalData survey shown below having purchased clothes online in the last year. This age group is the Company’s core audience and the survey supports the Company’s ongoing focus on eCommerce as an important transaction channel.

Physical stores remain (and are expected to remain) the largest transactional channel for consumers, according to the GlobalData survey with in excess of 80 per cent. of each age group having made store based apparel purchases over the last year.

The Directors believe Footasylum benefits from having an integrated, multi-channel retail model in order to allow its customers to engage across multiple channels.

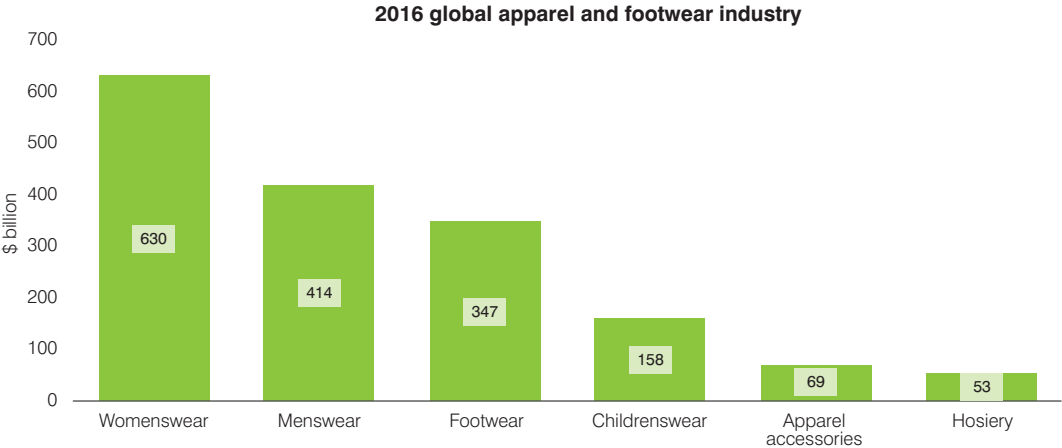


Source: GlobalData’s “The UK Clothing Market, June 2017” Report

**Global apparel retail market**

The global apparel and footwear retail market was valued at approximately US\$1.67 trillion in 2016 and is estimated to grow circa 10 per cent., between 2016 and 2021, reaching approximately US\$2.2 trillion according to Euromonitor.

The graph below shows the components of the global apparel and footwear industry by category.



Source: Apparel and Footwear: Global Industry Overview by Euromonitor International

**Global trends**

Trends are being driven primarily by shifts in consumer lifestyles and behaviour and rising global incomes.

More active lifestyles, as referenced by Euromonitor, and a growing acceptance of casualwear has driven an increased demand for sportswear, leisurewear and genderless fashion according to McKinsey’s “The State of Fashion 2017” Report. The Directors believe that the Company, with its strong brand relationships and product access, is able to adapt to changing trends and provide its target customers with in-demand products.

Childrenswear continues to outperform menswear and womenswear due to a rising middle class in emerging markets and the popularity of the “mini-me” trend. Menswear is expected to outpace womenswear due to an increasingly aesthetically conscious male population. The Directors believe that the Company is well positioned to capitalise on these trends, with a core target audience of 16 to 24 year olds and an increasing focus on women’s and children’s offerings.

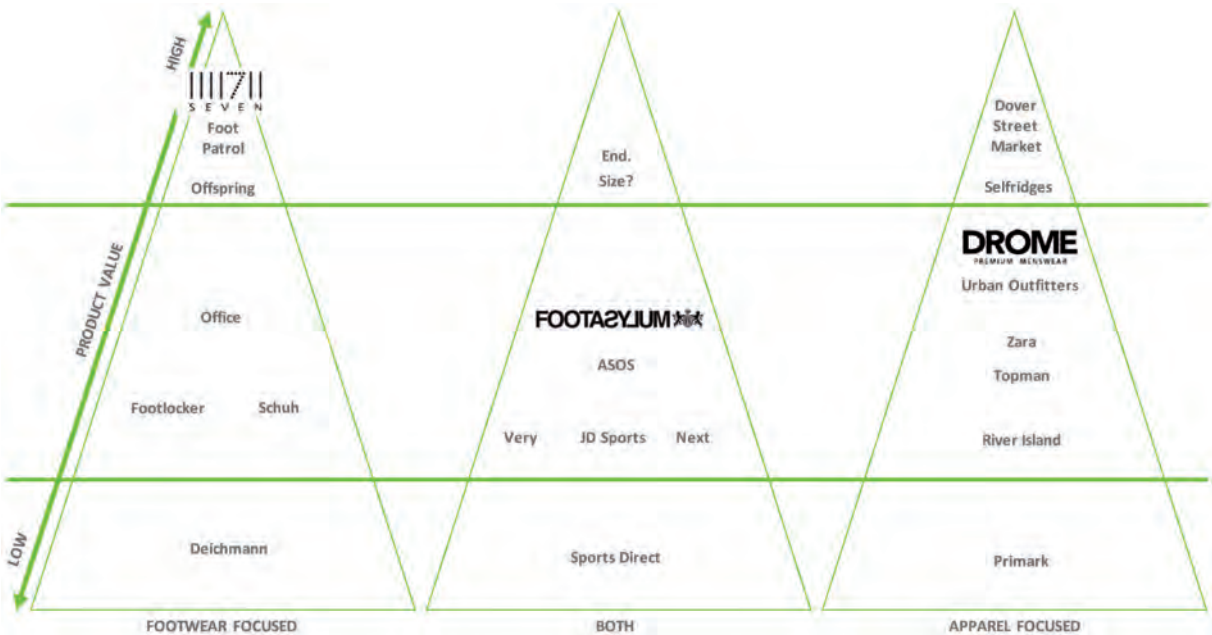
Retailers are looking for innovative ways to capture consumer attention and integrated online and offline customer experiences across multiple channels are considered the “holy grail” (source: Euromonitor). The Directors believe that the Company’s plans to invest in technology and data collection will enhance its customers’ experience and support the Company’s competitive position.

Online adoption continues to grow rapidly, albeit is not expected to overtake physical store sales in absolute terms, demonstrating the importance of a multi-channel retail model.

**Market positioning and peer group**

Footasylum faces competition from a range of generalist and specialist retailers, from small independents to large, established multi-store nationwide and international retailers, including both pure-play online and omni-channel operators.

The graphic below illustrates the Directors’ perception of the Company’s position against a number of its peers by product value and category focus:



The Directors consider that the Footasylum offering is positioned in the competitive mainstream for both footwear and apparel, competing most frequently against retailers such as JD Sports and ASOS.

The Directors consider that the 7Liverpool offering competes at the premium end of the market.

The Directors believe that through its strong access to product and brands together with a deep understanding of its customer base, the Company has developed a compelling and differentiated proposition that allows it to compete effectively in its markets.

**10. SUMMARY FINANCIAL INFORMATION**

Part III of this Document contains audited consolidated historical financial information of the Group for the three years ended 25 February 2017 and the 26 weeks ended 26 August 2017 prepared in accordance with IFRS (together with unaudited comparatives for the 26 weeks ended 27 August 2016).

The following financial information has been extracted without material adjustment from the historic financial information on the Group contained in Part III of this Document and should be read in conjunction with the full text of this Document. Investors should not rely solely on the summarised information.

#### Summary P&L

(£m)	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>HY17</u>	<u>HY18</u>
<b>Revenue</b> .....	<b>78.0</b>	<b>110.4</b>	<b>147.0</b>	<b>61.1</b>	<b>83.2</b>
<i>YoY growth</i> .....		41.5%	33.2%		36.2%
<b>Gross profit</b> .....	<b>35.5</b>	<b>48.5</b>	<b>67.5</b>	<b>27.8</b>	<b>37.3</b>
Administrative expenses (before exceptional items) .....	(35.0)	(44.7)	(59.0)	(25.7)	(34.9)
<b>EBITDA (before exceptional items)</b> .....	<b>2.2</b>	<b>6.1</b>	<b>11.2</b>	<b>3.3</b>	<b>4.4</b>
Depreciation .....	(1.7)	(2.4)	(2.8)	(1.2)	(2.0)
Exceptional items .....	—	—	—	—	(0.6)
<b>Operating profit</b> .....	<b>0.5</b>	<b>3.7</b>	<b>8.5</b>	<b>2.1</b>	<b>1.8</b>

#### KPIs

(£m)	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>HY17</u>	<u>HY18</u>
<b>Revenue per channel</b>					
Stores .....	60.5	79.0	105.0	45.4	59.0
eCommerce .....	17.5	31.4	42.0	15.7	23.5
Wholesale .....	—	—	—	—	0.7
(%)					
<b>Profitability and returns</b>					
Gross margin .....	45.5%	43.9%	45.9%	45.5%	44.8%
EBITDA .....	2.9%	5.5%	7.6%	5.4%	5.3%

#### Revenue and profitability

In the two financial years ended 25 February 2017, revenue grew at a CAGR of 37 per cent. Online revenue grew at a CAGR of 55 per cent. over the same period, increasing its proportion of overall revenue from 22 per cent. in FY15 to 29 per cent. in FY17.

EBITDA (before exceptional items) grew at a CAGR of 126 per cent. over the period.

#### Seasonality and working capital

The Company is subject to peak trading periods, the most significant for retail revenue being December. Consequently, the Company experiences significant working capital movements as stock levels shift in accordance with revenue expectations. Working capital peaks in November, reflecting the build up in stock ahead of the peak sales period.

The Company has a £30 million revolving credit facility to fund seasonal working capital movements.

## 11. CURRENT TRADING AND PROSPECTS

The audited results of the Company for the 26 weeks to 26 August 2017 (together with unaudited comparatives for the 26 weeks ended 27 August 2016) are included in Part III of this Document.

Trading in the first half of FY18 was in line with the Directors' expectations. Revenue of £83.2 million was 36 per cent. ahead of the corresponding period in 2016. Stores accounted for 71 per cent. of revenue (2016: 74 per cent.), eCommerce 28 per cent. (2016: 26 per cent.) and wholesale 1 per cent. (2016: nil per cent.). EBITDA (before exceptional items relating to Admission) was 33 per cent. ahead of the corresponding period at £4.4 million (2016: £3.3 million).

Trading since 26 August 2017 has been in line with the Directors' expectations.

The Company has opened five new stores in the current financial year to date and expects to open four further stores before the financial year end.

The Directors believe that the Company is well positioned to deliver its growth strategy as set out in paragraph 8 of this Part I.

## **12. DIVIDEND POLICY**

The Directors have ambitious growth plans for the Company and intend, in the short term, to retain the Company's earnings for re-investment. It is the Directors' ultimate intention to pursue a progressive dividend policy, subject to the availability of sufficient distributable profits and the need to retain earnings to expand the growth and development of the Group.

## **13. DIRECTORS, PROPOSED DIRECTOR AND SENIOR MANAGEMENT**

### **Directors**

Brief biographies of the Directors are set out below. Further details on the Directors are set out in paragraph 9 of Part V of this Document.

#### *Executive Chairman—John Wardle (age 72)*

John joined the Company in 2008 as its Chief Executive Officer and moved to Executive Chairman in 2015, upon the promotion of Clare Nesbitt to Chief Executive. John has over 30 years of retail experience and co-founded the JD Sports chain in 1981 with David Makin. John was Chairman of Manchester City Football Club from 2003 to 2008. John intends to retire as a Director on Barry Bown joining the Board on or around 1 June 2018.

#### *Chief Executive Officer—Clare Nesbitt (age 30)*

Clare joined Footasylum in 2009 as a merchandising assistant, becoming Assistant CEO in 2010. She was appointed Deputy Chief Executive Officer in 2012 and subsequently Chief Executive Officer in 2015. During Clare's tenure, the Company has grown from 15 to 61 stores and has delivered significant revenue and EBITDA growth.

#### *Chief Financial Officer—Danielle Davies (age 39)*

Danielle joined the Company as Chief Financial Officer and was appointed to the Board in January 2017. Danielle was previously director of finance at Pets at Home from 2011 to 2016, where she worked on a number of refinancings and acquisitions under private equity ownership prior to supporting its subsequent initial public offering in 2014. Prior to this Danielle was financial controller at Matalan and held several roles at The Co-operative Group. Danielle qualified as an Associate Chartered Accountant with EY in 2003.

#### *Independent Non-Executive Director—Stephen Robertson (age 62)*

Stephen joined the Board as a Non-Executive Director in October 2017. He is a member of the Audit, Remuneration and Nomination Committees and will chair the Remuneration Committee and the Nomination Committee. Stephen is also currently the Chairman of Retail Economics (an independent economics research consultancy) and a non-executive director of Sofology Ltd, Clipper Logistics plc, Hargreaves Lansdown plc and Timpson Group plc. Stephen is a former Director General at the British Retail Consortium and has held non-executive positions at Business West, the National Portrait Gallery Company and Fresca Group. Stephen's executive career was in retail at B&Q, Screwfix Direct and Woolworths following marketing roles at consumer businesses such as Mars and Unilever.

#### *Independent Non-Executive Director—Brendan Hynes (age 57)*

Brendan joined the Board as a Non-Executive Director in October 2017. He is a member of the Audit, Remuneration and Nomination Committees and will chair the Audit Committee. Brendan is also currently non-executive chairman of Swallowfield PLC and the senior independent non-executive director of Churchill China PLC. From 2007 to 2013 Brendan was chief executive of Nichols PLC prior to which he was group finance director. Brendan is a Fellow of the Chartered Institute of Management Accountants.



## **Proposed Director**

Barry Bown (aged 56) has committed to join the Board as Executive Chairman on or around 1 June 2018. Barry has over 30 years' retail experience, most of which was gained at the JD Sports chain, which he joined in 1984 and where he served as chief executive from 2000 until 2014.

The Directors believe that Barry Bown's extensive relevant experience of building a retail business in the public domain and his excellent high level relationships with many major brands will enable him to make a valuable contribution to the Company's leadership team.

Further details of the terms of Barry Bown's future appointment are set out in paragraph 10.1.6 of Part V of this Document.

## **Senior Management**

The Directors are supported by a team of experienced senior managers. This team includes:

- *Jack Spellacy (Buying and Merchandising Director)*  
Jack joined Footasylum in 2011 as a buyer and was appointed Buying and Merchandising Director in November 2016. Jack is responsible for the development and growth of new brands and product categories. In 2014, Jack featured in Drapers' "30 under 30" publication. Prior to joining the Company, Jack worked at Superdry.
- *Matthew Parrish (Operations Director)*  
Matt joined the Company in May 2016 as Operations Director. Prior to this Matt was director of strategic delivery of AO World, where he oversaw its move into Europe. Matt has also held roles at Dixons Carphone and Vertex Data.
- *Thomas Makin (Marketing and eCommerce Director)*  
Thomas joined Footasylum in 2008 and held a variety of roles in the retail, merchandising and buying departments before becoming Marketing and eCommerce Director in 2017.
- *David Makin (Founder)*  
David founded the Company in 2005. He has a distinguished history as an entrepreneur in the sports casual retail market, having co-founded (with John Wardle) the JD Sports chain in 1981. David was chief executive at the time of the flotation of the JD Sports chain and remained involved with the company until 2005. David has influence over product and retail strategy at the Company.

## **14. CORPORATE GOVERNANCE**

The Directors acknowledge the importance of sound corporate governance and the principles set out in the Corporate Governance Code.

Whilst compliance with the Corporate Governance Code is not compulsory for AIM companies, the Directors intend to implement appropriate measures from it, having regard to the current stage of development of the Company.

Following Admission, the Board will comprise five Directors, three of whom shall be Executive Directors and two of whom shall be Non-Executive Directors, reflecting a blend of different experience and backgrounds. Both Stephen Robertson and Brendan Hynes will be considered independent Non-Executive Directors.

The Board intends to meet regularly to consider strategy, performance and the framework of internal controls.

To enable the Board to discharge its duties, all Directors will receive appropriate and timely information. Briefing papers will be distributed to all Directors in advance of Board meetings. All Directors will have access to the advice and services of the Chief Financial Officer and the Company Secretary, who will be responsible for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with. In addition, procedures will be in place to enable the Directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.

### **Board Committees**

In accordance with best practice, the Board has established three committees, the Audit Committee, the Nomination Committee and the Remuneration Committee, each with written terms of reference and formally delegated duties. If the need should arise, the Board may set up additional committees as appropriate.

The Remuneration Committee will review the performance of the Executive Directors and determine their terms and conditions of service, including their remuneration and the grant of any equity incentivisation, having due regard to the interests of Shareholders. The Remuneration Committee will meet formally at least twice a year and otherwise as required. Membership of the Remuneration Committee comprises Stephen Robertson and Brendan Hynes and it will be chaired by Stephen Robertson.

The Audit Committee will have primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of the Group is properly measured and reported on and reviewing reports from the Group's auditors relating to the Group's accounting and internal controls, in all cases having due regard to the interests of Shareholders. The Audit Committee will meet formally at least twice a year and otherwise as required. Membership of the audit committee comprises Brendan Hynes and Stephen Robertson and it will be chaired by Brendan Hynes.

The Nomination Committee will identify and nominate, for the approval of the Board, candidates to fill Board vacancies as and when they arise. The Nomination Committee will meet as required. Membership of the Nomination Committee comprises Stephen Robertson and Brendan Hynes and it will be chaired by Stephen Robertson.

### **Share Dealing Code**

The Directors understand the importance of complying with the AIM Rules and applicable legislation, including MAR, relating to dealings by Directors, PDMRs and certain other employees of the Group in the Ordinary Shares.

The Company has adopted, with effect from Admission, a code relating to dealings in Ordinary Shares (the "Share Dealing Code") which, the Directors believe, is appropriate for a company whose shares are admitted to trading on AIM and is in conformity with the requirements of AIM Rule 21. The Company will take all reasonable steps to ensure compliance by the Directors, PDMRs and any other relevant employees within the terms of the Share Dealing Code.

### **The Relationship Agreement**

The Existing Shareholders will hold, in aggregate, of 63.0 per cent. of the Ordinary Shares in issue following Admission. The Company has entered into the Relationship Agreement with the Existing Shareholders to regulate their ongoing relationship from Admission. The purpose of the Relationship Agreement is to ensure that the Company is capable of being run independently from the personal interests of the Existing Shareholders and to ensure that any transactions and relationships between the Company and the Existing Shareholders are on arm's length terms.

Further details of the Relationship Agreement are set out in paragraph 14.4 of Part V of this Document.

## **15. SHARE INCENTIVE ARRANGEMENTS**

In order to align the interests of Shareholders and employees following Admission, the Company is proposing to establish the Share Incentive Plans consisting of the LTIP, the CSOP and the SAYE Scheme.

The Company intends to grant awards pursuant to the LTIP on, or shortly after, Admission to one Director and to four senior employees of the Group over Ordinary Shares with an aggregate market value (by reference to the Placing Price) of approximately £3.0 million in total. Details of the award proposed to be granted to the Director are set out in paragraph 8.3 of Part V of this Document.

In addition, the Company has agreed to make a one-off award under the LTIP to Barry Bown, subject to him commencing employment with the Company following the Admission Date, on or around 1 June 2018. Further details of the award are set out in paragraph 10.1.6 of Part V of this Document.

The Company is proposing to grant options to certain senior employees pursuant to the CSOP so as to coincide with the commencement of its FY19 financial year.

The SAYE Scheme is an “all employee” scheme under which every eligible employee within the Group must be invited to participate. The Company intends that invitations to participate in the SAYE Scheme will be sent on or shortly after Admission, to eligible employees inviting them to apply for options under the SAYE Scheme. In relation to such invitations, eligible employees may apply to save an amount between £5 and £500 per month in accordance with the rules of the SAYE Scheme under a three year savings contract. It is further intended that options pursuant to such invitations shall be granted after Admission to those employees who accept the invitation.

Further details of the Share Incentive Plans are set out in paragraph 13 of Part V of this Document.

## **16. THE PLACING AND THE SUBSCRIPTION**

The Placing comprises the placing by Liberum, as agent for the Company, of 38,655,524 Placing Shares with institutional and other investors at the Placing Price. The Placing will raise approximately £35.6 million (net of expenses) for the Company and approximately £20.5 million (net of expenses) for the Selling Shareholders. The Placing Shares will represent approximately 37.0 per cent. of the Enlarged Share Capital.

The Placing, which is not underwritten, is conditional, *inter alia*, on:

- the Placing Agreement becoming unconditional and not having been terminated in accordance with its terms prior to Admission; and
- Admission occurring no later than 2 November 2017 (or such later date as GCA Altium, Liberum and the Company may agree, being no later than 30 November 2017).

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

The Nomad and Broker have the right under the Placing Agreement to terminate the Placing Agreement and not proceed with the Placing if, prior to Admission, certain events occur including certain force majeure events. If such right is exercised, the Placing will lapse and any monies received in respect of the Placing will be returned to investors without interest.

Pursuant to the Placing Agreement each of the Directors and the Existing Shareholders have agreed (subject to certain exemptions) that they will not sell or dispose of their interests in or rights over any of their Ordinary Shares for a period of 12 months from Admission and, for a further 12 months thereafter, they will only sell or dispose of their interests in or rights over their Ordinary Shares subject to orderly market restrictions.

Further details of the Placing Agreement are set out in paragraph 14.1 of Part V of this Document.

Pursuant to the Subscription Agreement, David Makin has agreed, conditional on Admission, to subscribe for 1,200,000 New Shares at the Placing Price. Immediately following Admission and the issue of the New Shares pursuant to the Placing and the Subscription, David Makin will hold 6,270,000 Ordinary Shares, representing 6.0 per cent. of the Enlarged Share Capital.

Further details of the Subscription Agreement are set out in paragraph 14.3 of Part V of this Document.

## **17. REASONS FOR ADMISSION AND USE OF PLACING PROCEEDS**

The estimated net proceeds of the Placing and the Subscription receivable by the Company are approximately £37.5 million. Of this amount, approximately £18.7 million will be utilised to redeem the Preference Shares in accordance with the Redemption Agreement and approximately £3.9 million will be used to repay a Director’s loan made to the Company by the Chairman, John Wardle.

The holders of the Preference Shares are set out in paragraph 4.2.12 of Part V of this Document and further details of the Redemption Agreement are set out in paragraph 14.5 of Part V of this Document.

The Directors intend that the balance of the net proceeds will, in addition to existing cash resources, available debt facilities and future operational cash flow, be used to facilitate the Company's growth capital expenditure plan. This includes the continuation of its store rollout and further improvement of the Company's IT infrastructure and digital offering.

The Directors believe that the Placing and the Subscription will provide the Group with an appropriate capital structure to pursue its growth plans and that Admission will further raise the Company's profile and assist in attracting and retaining key employees through appropriate incentive arrangements.

Admission will also enable the Selling Shareholders to realise, in part, their investment in the Company.

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

Application has been made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and dealings in the Ordinary Shares on AIM will commence at 8.00 a.m. on 2 November 2017. No application is being made for the Ordinary Shares to be admitted to listing or to be dealt in any offer exchange.

The Ordinary Shares will be in registered form and will be capable of being held in either certificated or uncertificated form. Accordingly, following Admission, settlement of transactions in the Ordinary Shares may take place within the CREST system if a Shareholder so wishes. In respect of Shareholders who will receive Placing Shares in uncertificated form, Ordinary Shares will be credited to their CREST stock accounts on 2 November 2017. Shareholders who wish to receive and retain share certificates are able to do so and share certificates representing the Ordinary Shares to be issued pursuant to the Placing are expected to be despatched by post to such Shareholders by no later than 16 November 2017.

CREST is a paperless settlement procedures 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 under the CREST system. The Company will apply for the Ordinary Shares to be admitted to CREST on the Admission Date.

## **19. INTERESTS IN ORDINARY SHARES**

Upon Admission, the Directors will in aggregate be interested, directly and indirectly, in 65,818,866 Ordinary Shares representing approximately 63.0 per cent. of the Enlarged Share Capital.

Further information in relation to the interests of the Directors and the Proposed Director is set out in paragraph 8 of Part V of this Document.

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

The Takeover Code applies to the Company and, therefore, its Shareholders are entitled to the protection afforded by the Takeover Code.

The Takeover Code governs, *inter alia*, transactions which may result in a change of control of a company to which the Takeover Code applies. Under Rule 9 of the Takeover Code any person who acquires, whether by a series of transactions over a period of time or not, an interest (as defined in the Takeover Code) in shares which, taken together with shares in which he is already interested or in which persons acting in concert with him are interested, carry 30 per cent. or more of the voting rights of a company which is subject to the Takeover Code, that person will normally be required to make a general offer to all the remaining shareholders to acquire their shares.

Similarly, Rule 9 of the Takeover Code also provides that when any person, together with persons acting in concert with him, is interested in shares which, in aggregate, carry more than 30 per cent. of the voting rights of such company, but does not hold shares carrying 50 per cent. or more of such voting rights, a general offer will normally be required if any further interest in shares is acquired by any such person.

An offer under Rule 9 must be in cash and must be 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 the company in question during the 12 months prior to the announcement of the offer.

Any person who, together with its concert parties, holds more than 50 per cent. of a company's voting rights, is not normally subject to a requirement to make a general offer as a result of any acquisition by such person or its concert parties of any further shares carrying voting rights in the company, save that the Panel will regard as giving rise to an obligation to make an offer the acquisition by a single member of a concert party of shares sufficient to increase its individual holding to 30 per cent. or more of a company's voting rights, or, if it already holds more than 30 per cent. but less than 50 per cent., an acquisition which increases its holding of shares carrying voting rights in that company.

Under the Takeover Code, persons acting in concert include persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control of a company. There is a non-exhaustive list of persons who will be presumed to be acting in concert with other persons in the same category unless the contrary is established. This list includes:

- (a) the close relatives of a founder of a company to which the Takeover Code applies, their own close relatives, and the related trusts of any of them, all with each other; and
- (b) shareholders in a private company who following the re-registration of that company as a public company in connection with an initial public offering or otherwise, become shareholders in a company to which the Takeover Code applies.

The Company understands on the basis of confirmations received by it from the Directors, that until such time as they can demonstrate otherwise, the Takeover Panel will generally assume the Existing Shareholders, as set out in paragraph 8.10 of Part V of this Document, to be acting in concert (the 'Concert Party') for the purposes of Rule 9 of the Takeover Code.

Immediately following Admission, the Concert Party will be interested in aggregate, in 65,818,866 Ordinary Shares representing approximately 63.0 per cent. of the Enlarged Share Capital.

It is not proposed to grant any options or awards on or immediately following Admission under the LTIP or the CSOP to any member of the Concert Party. However, it is proposed that on the Admission Date, Thomas Makin and Clare Nesbitt will each be issued with an invitation to apply for an option under the SAYE Scheme. Should either of the aforementioned individuals decide to accept such invitation, they will be granted an option under the SAYE Scheme on or around 5 December 2017. It is not possible to specify how many Ordinary Shares may be subject to any option granted under the SAYE Scheme as this will depend on how much an individual decides to save per month over the life of a 36 month savings contract. However, as each individual can only save up to £500 per month over the 36 month savings contract issued under the SAYE Scheme and the exercise price per Ordinary Shares will be set at £1.312 (being 80 per cent. of the Placing Price), the maximum number of Ordinary Shares that can be made subject to an option granted to either of the aforementioned individuals is 13,719.

On the basis that each of Thomas Makin and Clare Nesbitt elect to make the maximum permitted saving of £500 per month and 27,438 Ordinary Shares are issued pursuant to the options granted to them under the SAYE Scheme as a result, and assuming no other Ordinary Shares had been issued, the total holding of the Concert Party will be 65,846,304 Ordinary Shares representing 63.03 per cent. of the Enlarged Share Capital following the issue of the Ordinary Shares to satisfy the SAYE Scheme options that may be granted to the members of the Concert Party on or around 30 November 2017 pursuant to the invitations issued on the Admission Date.

The allotment of Ordinary Shares pursuant to the SAYE Scheme options that may be granted to the members of the Concert Party as described above will not require the Concert Party to make a mandatory offer under the Takeover Code.

Further awards or options may be granted to certain members of the Concert Party after the Admission Date under the Share Incentive Plans. It is proposed that the Takeover Panel is consulted in relation to any such proposed options or awards.

## **21. TAXATION**

Information regarding taxation is set out in paragraph 17 of Part V of this Document. These details are intended only as a general guide to the current tax position in the UK.

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

## **22. THE BRIBERY ACT**

The UK government has issued guidelines setting out appropriate procedures for companies to follow to ensure that they are compliant with the UK Bribery Act 2010. The Company has implemented an anti-bribery and anti-corruption policy that has been adopted by the Board.

## **23. RISK FACTORS**

Your attention is drawn to the risk factors set out in Part II of this Document. In addition to all other information set out in this Document and their own circumstances, potential investors should carefully consider the risks described therein before making a decision to invest in the Company.

## **24. ADDITIONAL INFORMATION**

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

Your attention is drawn to the information set out in Parts II to VI (inclusive) of this Document which contains further information on the Company and the terms and conditions of the Placing.

## PART II

### RISK FACTORS

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

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

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

**It should be noted that the risks described below are not the only risks faced by the Group and there may be additional risks that the Directors currently consider not to be material or of which they are currently not aware.**

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

#### **GENERAL RISK FACTORS**

##### ***Admission to trading on AIM, liquidity and possible price volatility***

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

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

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

An investment in shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List of the UK Listing Authority.

In addition, there can be no guarantee that the Ordinary Shares will continue to trade on AIM in the future or on any other exchange. If trading were to cease, this would have an adverse impact on the price of the Ordinary Shares. Additionally, if in the future the Company decides to obtain a listing on another exchange in addition or as an alternative to AIM, the level of liquidity of the Ordinary Shares traded on AIM could decline.

### **Legislation and tax status**

This Document has been prepared on the basis of current legislation, regulation, rules and practices and the Directors' interpretation thereof. Such interpretation may not be correct and it is always possible that legislation, rules and practice may change. Any change in legislation or regulation and, in particular, in tax status or tax residence of the Company or in tax legislation or practice may have an adverse effect on the returns available on an investment in the Company.

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

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

### **Taxation**

The attention of potential investors is drawn to paragraph 17 of Part V of this Document headed "Taxation". Representations in this Document concerning the taxation of the Company and its Shareholders are based upon current tax law and practice which is, in principle, subject to change.

### **Forward looking statements**

All statements other than statements of historical fact included in this Document, including, without limitation, those regarding Footasylum's financial position, business strategy, plans and objectives of management for future operations or statements relating to expectations in relation to Shareholder returns, dividends or any statements preceded by, followed by or that include the words "targets", "estimates", "envisages", "believes", "expects", "aims", "intends", "plans", "will", "may", "anticipates", "would", "could" or similar expressions or the negative thereof, are forward looking statements.

Such forward looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company's control that could cause the actual results and performance to be materially different from future results and performance expressed or implied by such forward looking statements. Such forward looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future.

These forward looking statements speak only as of the date of this Document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statements contained herein to reflect any change in the Company's expectations with regard thereto, any new information or any change in events, conditions or circumstances on which any such statements are based, unless required to do so by law or any appropriate regulatory authority.

## **RISKS RELATING TO THE COMPANY AND ITS INDUSTRY**

### ***The Company's revenues are reliant upon relationships with key brands and suppliers which it may not be able to maintain on satisfactory terms***

The Company retails a combination of third party and own brand products but predominantly third party branded products. Footasylum's continuing growth and success is dependent upon ongoing relationships with brand partners and their respective ability to remain desirable to consumers through successful design and marketing. Footasylum's success is also influenced by access to desirable products from brands. If brand partners were to withdraw from providing Footasylum with the level of access to products, or indeed experience declining consumer demand for their products, this may have a material adverse impact on the business, results of operations and financial condition.

### ***The Company may not accurately predict or fulfil customer preferences or demand***

Footasylum derives a significant proportion of revenue from the sale of products that are subject to rapidly changing consumer preferences. Footasylum's revenue and profitability are sensitive to these changing preferences and, accordingly, Footasylum must identify and interpret prospective in-demand trends sufficiently within the Company's store network and online. Failure to do so may result in excess inventory as a result of lower revenue and subsequent markdowns which would likely impact profitability. Conversely, should Footasylum inaccurately forecast demand for products, the Company may experience inventory shortages, which may negatively impact Footasylum's customer goodwill



and brand image and may have a material adverse impact on the business, results of operations or financial condition.

***The Company's growth strategy is predicated on successfully executing a store rollout***

As part of its growth strategy, it is Footasylum's intention to increase its store estate in the UK. Successfully executing this strategy will be dependent upon several factors, including: the identification of suitable vacant sites in appropriate locations, the negotiation of acceptable financial terms, the hiring, training and retention of personnel, the Company's ability to integrate new stores into its operations on an economically acceptable basis, IT capabilities, and general macroeconomic conditions in the UK. There may be competition for suitable sites and there can be no assurances that the Company will be able to open new stores on a timely basis or that new sites will be secured on acceptable terms.

***The Company relies upon key personnel and certain of its management team***

Footasylum's operational and financial performance are dependent upon its ability to attract and retain effective personnel, in particular, on the efforts and abilities of the key senior personnel. These individuals have extensive experience and expertise in omnichannel retail and have made significant contributions to Footasylum's continuing growth and success. Such personnel are considered to be vitally important assets to the Company and, should one of these team members depart, Footasylum may not be able to find effective replacements in a timely manner, if at all, and the business may be disrupted or damaged. Furthermore, loss of key personnel to competitors could have a material adverse impact on the business, results of operations and financial condition.

***Damage to the Company's distribution centre may adversely affect its ability to meet customer demand and have a material adverse impact on performance***

Footasylum retains stocks of clothing, footwear and accessories at two distribution centres in Heywood and is dependent on the distribution of stock from these distribution centres. Any significant disruption to the operations of Footasylum's head office or distribution centres, including disruption caused by any future reorganisation of the Company's premises, or interruption to the delivery of its products, may significantly impact the Company's ability to manage its operations, distribute products to its store network and online customers and maintain its supply chain. Such disruption may have a significant adverse impact on the business, operations, financial condition, customer goodwill and reputation.

Depending on the severity of the issue concerned and regardless of the proceeds of any insurance policy which may be available, a material interruption to the ability of the Company to distribute product to its online and wholesale customers and retail stores could have a material adverse impact on the business, results of operations and financial condition.

***Any material disruption to the Company's IT systems could have a material adverse effect on its business, financial condition and results of operations***

Footasylum relies significantly on the uninterrupted operation of its computer and communications systems, as well as the equivalent systems of third parties, for the efficient running of its business and operations, including, but not limited, the monitoring of stock levels. Any significant disruption to these information technology or communications systems could have an adverse effect on the proper functioning of stores and eCommerce sites, particularly in respect to stock replenishment and distribution activities, which can be impacted even by short-term system failures, and on the Company's ability to manage its operations, which could have a material adverse effect on the Company's financial condition. Footasylum proposes to upgrade its IT systems in order to be able to manage business growth. If such upgrading results in system failure, it could have an adverse impact on the proper functioning of the stores and eCommerce sites.

***A downturn in the economy and/or consumer confidence may affect the sales of Footasylum's products***

There are multiple influences over the level of consumer spending in the UK, including, *inter alia*, the state of the economy as a whole, stock market performance, interest rates, currency exchange rates, recession, inflation or deflation, political uncertainty, availability of consumer credit, taxation and unemployment. Footasylum's revenue may decline in the future during recessionary periods when the average level of disposable income tends to be lower or when consumer confidence is low. Terrorist

activity or other geopolitical uncertainty or any restrictions on movement or government actions in the UK could result in significant reduction in consumer confidence. A significant decline in the UK economy and/or in consumer confidence could have a material adverse impact on Footasylum's business, results of operations and financial condition.

***Footasylum operates in a competitive environment within which it may be unable to compete successfully***

The lifestyle fashion industry is highly competitive, particularly with respect to product range, store location, inventory, price, customer service and advertising. Footasylum competes at both national and local levels with retailers of varying sizes and different offerings. The Company's peer group includes general retailers (such as department stores) and specialist retailers (such as independent fashion retailers, sports retailers, internet and mail-order retailers). Such competition continues to put pressure on Footasylum to differentiate its product offering in the form of access to brands and their respective ranges. There is a risk that third party brands may prefer to supply the Company's competitors with high-demand product as an alternative to Footasylum, or try to impose policies regarding brand and product presentation as a condition of continuing supply that the Company is unable to comply with. This could have a material adverse impact on revenue and profitability.

Footasylum may be unable to compete successfully against current competitors or future new entrants, or competitive pressures it faces, which may have a material adverse impact on the business, results of operations and financial condition of the Company.

***Data privacy compliance breaches or failure to protect confidential information could harm Footasylum's reputation and expose the Company to litigation or other legal or regulatory actions***

Footasylum is subject to a number of laws relating to privacy and data protection, including the UK's Data Protection Act 1998 and the Privacy and Electronic Communications (EC Directive) Regulations 2003, as well as relevant non-EEA data protection and privacy laws. Such laws govern the Company's ability to collect, use and transfer personal information relating to its customers and others, including the use of that information for marketing purposes and for its advertisers to focus their advertising campaigns, as well as its employees and others. The Company relies upon third party contractors and its own employees to collect and process personal data and to maintain its databases. Therefore, the Company is exposed to the risk that such data could be wrongfully appropriated, lost or disclosed, damaged or processed in breach of data protection law and regulation. With effect from 25 May 2018, Footasylum will be subject to the General Data Protection Regulation (Regulation (EU) 2016/679) (GDPR) which will place more onerous obligations on the Company in relation to data protection compliance. The Company will take steps to prepare for the implementation of GDPR but there is a risk that such measures may not be deemed sufficient in order to comply with the regulation or regulatory guidance. Additionally, there is a risk that the penalties for the Company for any breach of the GDPR would potentially be more severe than under the current laws relating to privacy and data protection.

Despite controls to protect the confidentiality and integrity of customer information, Footasylum may breach restrictions or may be subject to attack from computer programmes that attempt to penetrate its network security and misappropriate confidential information.

If Footasylum or any of the third party service providers on which it relies, fails to store or transmit information and/or payment details online in a secure manner, or if any unauthorised or unlawful loss, disclosure or destruction of personal data were otherwise to occur, the Company may be subject to sanctions by card merchants, claims from third parties relating to the infringement of privacy rights and/or investigative or enforcement action (including criminal proceedings and significant pecuniary penalties) by the Information Commissioner's Office in the UK or similar regulatory jurisdictions in which Footasylum operates. Whilst the Company strives to comply with all applicable laws, regulations, policies and legal obligations relating to privacy and data protection, it is possible that such requirements may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or Footasylum's practices.

Any perceived or actual failure to protect confidential data may harm Footasylum's reputation and credibility, adversely affect revenue, reduce its ability to attract and retain customers or result in litigation or other actions being brought against the Company, or the imposition of fines and, as a result, could have a material adverse impact on its business, operations and financial condition.

***The Company may be unable to protect its trademarks and other intellectual property rights***

Footasylum's trademarks and other intellectual property rights (including its domain names) are important to its success and competitive position. Therefore, its business is dependent upon the ability to protect and promote the Company's trademarks and other intellectual property rights. Third parties may look to counterfeit Footasylum's own brands, otherwise infringe Footasylum's intellectual property rights or try to challenge the validity of the Company's intellectual property. Footasylum may not always be able to secure protection for, or stop infringements of, its intellectual property, and may need to resort to litigation to enforce its intellectual property rights. Any litigation or dispute involving the scope or enforceability of the Company's intellectual property rights or any allegation that it infringed upon the intellectual property rights of others could be costly and time-consuming, lead to a diversion of resources and result, if determined adversely to Footasylum, in a material adverse impact to the business, operations and financial condition.

***The Company is subject to risks associated with leasing retail space***

All of the Company's stores are leased from third parties. Therefore, the Company is subject to risks associated with periodically negotiating or re-negotiating lease terms. When Footasylum renews expiring leases, it may have to compete for desirable property sites with other operators, some of which are substantially larger than Footasylum and have greater economic and financial assets. The Company's ability to maintain its existing rental rates or to renew any lease on favourable terms will depend on many factors which are outside of the Company's control, including the local real estate market and relationships with current and prospective landlords.

Any inability to renew existing leases may result in, *inter alia*, significant alterations to rental terms, the closure of stores in desirable locations or failure to secure suitable alternative locations. Any of these events affecting the Company's stores could have a material adverse impact on its business, results of operations and financial condition.

***The Company may be adversely affected by its transition to a public company***

The Company has been successful as a private business whose existing shareholders, for the most part, have been closely involved in the business. The Company's transition to a public company involves changes in the Company's ownership and Board structure. The Directors expect certain of the Existing Shareholders to continue to be closely involved in the business. There can, however, be no assurance that, under a changed Board structure and ownership, and in the more public environment of a quoted public company, the Company will be able to manage its operations and strategic direction as successfully as it has as a private business.

***The Company is exposed to risks associated with third party manufacturing***

The Company outsources the production of own brand products to external manufacturers with appropriate expertise and capacity. A material proportion of own brand products are manufactured in Turkey, China, Hong Kong and Dubai. Footasylum has established an inspection and quality control process and requires all third-party manufacturers to comply with intellectual property protections and confidentiality restrictions in addition to applicable labour and health and safety laws and regulations. However, the inability of third-party manufacturers to produce and dispatch orders in a timely and appropriate manner, to the required quality, or to comply with their obligations or other laws and regulations could have a negative impact on Footasylum's wholesale operations and business. Similarly, if Footasylum expands beyond the production capacity of its current suppliers, it may not be able to find new suppliers with an appropriate level of expertise and capacity in a timely manner. If any of these risks were to materialise, it could have a material adverse impact on Footasylum's business, results of operations and financial condition.

***Compliance with existing laws and regulations or changes in any such laws and regulations could adversely affect the Company's business, financial condition and results of operations***

Footasylum is subject to a variety of laws and regulations and it routinely incurs costs in complying with these laws and regulations. New laws or regulations or changes in existing legislation, particularly those governing property rates or taxes, value-added tax and import/export duties, the sale of products or in other regulatory areas, such as consumer credit, privacy, information security, labour and employment, competition, anti-bribery, health and safety or environmental protection, may require extensive system and operating changes, including the establishment of new policies and training programmes that may be difficult to implement and could increase Footasylum's cost of doing

business. From time to time, Footasylum may be unable to update its internal governance, policies, training, reporting and compliance structures to fully comply with new laws and regulations in the timeframe required as a result of such difficulties. If Footasylum fails to comply with applicable laws and regulations, it could be subject to legal risks, including government enforcement action and/or fines, which could have a material adverse impact on the business, results of operations and financial condition.

***The Company may be unable to control its wholesale distribution channel satisfactorily***

Footasylum relies on its ability to control its wholesale distribution channel to ensure that its products are sold in environments and in a manner consistent with its brand image. Footasylum requires its wholesale customers to sell its products in accordance with the policies in place as regards promoting its products and merchandising displays and sales personnel in order to maintain consistency with the brand image. Actions by significant wholesale customers that vary from Footasylum's policies, such as presenting Footasylum's products in such a manner that is inconsistent with its preferred positioning or offering its products at deep discounts, could damage the brand image and/or impact other sales channels. If Footasylum is unable to control its wholesale distribution channel, it runs the risk of reputational damage to its own brand portfolio, which could have a material adverse impact on the success of the wholesale arm.

***Product liability and product recall may adversely affect the Company's results and may not be covered by its product insurance***

Footasylum requires its manufacturers and suppliers to satisfy standards regarding the quality and specification of its products. However, it is possible that one or more of its external suppliers' products may at some point cause or have the risk of causing injury or damage in a way that exposes the Company to liability and/or requires it or the respective brand to undertake a product recall. In the event of a product recall being required in circumstances where the financial consequences are not satisfied by the supplier, or covered by product liability insurance, it may have a material adverse impact on Footasylum's financial performance and reputation.

***Agreements with third parties are not on favourable terms and in some cases are not in writing***

The relationship between Footasylum and suppliers and brand partners are not in all cases governed by signed written agreements. Where Footasylum does not have written agreements in place, it may find it difficult to enforce certain terms of the arrangements entered into with such parties, potentially resulting in Footasylum having to trade on less favourable terms or divert resources in order to resolve disputes or put in place alternative arrangements, each of which could have a material adverse impact on the business.

***The Company may be unable to fully comply with the Slavery Act***

The Modern Slavery Act 2015 requires the Company to publish a statement confirming the steps taken to ensure that slavery and human trafficking are not taking place within the Company or its supply chain. The Company has established a 'supplier code of conduct', 'ethical sourcing policy' and undertaken personnel training in an endeavour to deal with certain identified risks in this area. However, the Company deals with many suppliers and there are risks that slavery may exist notwithstanding the Company's commitment to continually assess slavery and human trafficking in the workplace or externally.

***The Company may be unable to pay dividends***

The ability of the Company to pay dividends is dependent on a number of factors and there is no assurance that the Company will pay dividends or, if a dividend is paid, what the amount of such dividend would be. Consequently, Shareholders may not receive any return on their investment unless they sell their Ordinary Shares for a price greater than that which they paid for them.

***The Company's sales and working capital are subject to seasonal swings***

The revenue profile of the Company is skewed materially towards the Christmas period. As a result, the Company has high stock levels in October and November, in anticipation of increased sales over the Christmas period. In the event that sales are substantially below expectations, working capital would increase and the Company could be required to sell high volumes of stock at discounted prices to increase cash collection but which would negatively impact gross margin.

***The Company may be subject to Brexit related risk***

On 23 June 2016, the United Kingdom held a referendum on the United Kingdom's continued membership of the European Union. This resulted in a vote for the United Kingdom to exit the European Union. There are significant uncertainties in relation to the terms and time frame within which such an exit will be effected, and there are significant uncertainties as to what the impact will be on the fiscal, monetary and regulatory landscape in the UK, including *inter alia*, the UK's tax system, the conduct of cross-border business and export and import tariffs. There is also uncertainty in relation to how, when and to what extent these developments will impact on the economy in the UK and the future growth of its various industries and on levels of investor activity and confidence, on market performance and on exchange rates. There is also a risk that the vote by the UK to leave could result in other member states re-considering their respective membership of the European Union. Although it is not possible to predict fully the effects of the UK's exit from the European Union, any of these risks could have a material adverse impact on the financial condition, profitability and share price of the Company.

***The Existing Shareholders will continue to retain an aggregate majority shareholding and will continue to have a significant influence over the Company following the Placing and Admission and the family's interests may differ from or conflict with those of other Shareholders***

Immediately following Admission, the Existing Shareholders will continue to have an interest in approximately 65 per cent. of the Enlarged Share Capital. As a result, the Existing Shareholders will possess sufficient voting power to have a significant influence over all matters requiring Shareholder approval. The interests of the Existing Shareholders may not always be aligned with those of other holders of Ordinary Shares. In particular, the Existing Shareholders may hold interests in, or may make acquisitions of, or investments in, other businesses that may be, or may become, competitors of the Company. Although the terms of the Relationship Agreement contain provisions seeking to restrict the Existing Shareholders from voting on matters in their respective capacity as Shareholders where there are conflicts of interest and from using information gained from Footasylum for other, unconnected purposes, these and other measures may not be sufficient to protect the interests of other Shareholders.

***Price risk following the expiry of orderly marketing arrangements entered into by the Selling Shareholders***

The Selling Shareholders are subject to restrictions on the sale and/or transfer of their respective holdings in the Company's issued share capital as described in paragraph 14.1 of Part V of this Document. The sale of a substantial number of Ordinary Shares by the Selling Shareholders in the public market after the lock-up restrictions expire, or the perception that these sales may occur, may depress the market price of the Ordinary Shares and could impair the Company's ability to raise capital through the issue of additional equity securities.

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

Although it has no current plans to do so, other than in connection with Admission or under the Incentive Share Plans the Company may seek to raise financing to fund future growth opportunities. The Company may, for these and other purposes, such as in connection with the Share Incentive Plans, issue additional equity or convertible equity securities. As a result, the Company's Shareholders at the time of such an issue may suffer dilution in their percentage ownership or the price of the Ordinary Shares may be adversely impacted.

## PART III

### HISTORICAL FINANCIAL INFORMATION

This Part III contains in Section A, the accountant's report on the historical financial information of the Company's Group and in Section B the historical financial information for FY15, FY16 and FY17 and the twenty six weeks ended 27 August 2016 and 26 August 2017.

#### SECTION A—ACCOUNTANTS' REPORT



The Directors  
On behalf of Footasylum plc  
Sandbrook House  
Sandbrook Park  
Rochdale  
OL11 1RY

27 October 2017

Dear Sirs

#### **Footasylum plc (the Company) and its Subsidiary Undertakings (together, the Group)—Accountant's Report on Historical Financial Information**

We report on the Group's historical financial information set out in Section B of Part III of this Document, for the 52 weeks ended 22 February 2015, the 53 weeks ended 28 February 2016 and the 52 weeks ended 25 February 2017 and the 26 weeks ended 26 August 2017 (the **Historical Financial Information**). The Historical Financial Information has been prepared for inclusion in the Company's admission document dated 27 October 2017 on the basis of the accounting policies set out in note 1 to the Historical Financial Information.

The 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. We have not audited or reviewed the financial information for the 26 weeks ended 27 August 2016, which has been included for comparative purpose only, and accordingly do not express an opinion thereon.

#### **Responsibilities**

The directors of the Company are responsible for preparing the Historical Financial Information in accordance with International Financial Reporting Standards as adopted by the European Union. It is our responsibility to form an opinion on the Historical Financial Information and to report our opinion to you.

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

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### **Basis of Opinion**

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

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

### **Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the Admission Document, a true and a fair view of the state of affairs of the Group as at 22 February 2015, 28 February 2016, 25 February 2017 and 26 August 2017 and its profits, cash flows and changes in equity for the 52 weeks ended 22 February 2015, the 53 weeks ended 28 February 2016, the 52 weeks ended 25 February 2017 and the 26 weeks ended 26 August 2017 in accordance with International Financial Reporting Standards adopted by the European Union.

### **Declaration**

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

Yours faithfully

**GRANT THORNTON UK LLP**

## SECTION B—HISTORICAL FINANCIAL INFORMATION

### Consolidated Income Statement

	Notes	52 week period ended 25 February 2017	53 week period ended 28 February 2016**	52 week period ended 22 February 2015	26 week period ended 26 August 2017	26 week period ended 27 August 2016 (unaudited)
		£'000	£'000	£'000	£'000	£'000
<b>Revenue</b> .....	2	146,963	110,440	78,011	83,173	61,125
<b>Cost of sales</b> .....		(79,499)	(61,959)	(42,504)	(45,922)	(33,290)
<b>Gross profit</b> .....		67,464	48,481	35,507	37,251	27,835
Administrative expenses: before exceptional items: ....		(59,013)	(44,743)	(35,040)	(34,892)	(25,704)
Administrative expenses: exceptional items: .....	3	—	—	—	(581)	—
<b>Total administration expenses</b> .....		(59,013)	(44,743)	(35,040)	(35,473)	(25,704)
<b>Operating profit</b> .....		8,451	3,738	467	1,778	2,131
<b>EBITDA*</b> .....		<b>11,228</b>	<b>6,138</b>	<b>2,206</b>	<b>4,359</b>	<b>3,327</b>
Depreciation .....	3	(2,777)	(2,400)	(1,739)	(2,000)	(1,196)
<b>Operating profit before exceptional items</b> .....		<b>8,451</b>	<b>3,738</b>	<b>467</b>	<b>2,359</b>	<b>2,131</b>
Exceptional items .....	3	—	—	—	(581)	—
<b>Operating profit</b> .....		<b>8,451</b>	<b>3,738</b>	<b>467</b>	<b>1,778</b>	<b>2,131</b>
Finance costs .....	6	(311)	(154)	(75)	(36)	(131)
<b>Profit before tax</b> .....		<b>8,140</b>	<b>3,584</b>	<b>392</b>	<b>1,742</b>	<b>2,000</b>
Taxation .....	7	(1,897)	(904)	123	(463)	(467)
<b>Profit and total comprehensive income for the financial period attributable to shareholders</b> .....		<b>6,243</b>	<b>2,680</b>	<b>515</b>	<b>1,279</b>	<b>1,533</b>
<b>Earnings per share***</b>						
Basic and diluted .....		£1,041	£447	£86	£213	£256

\* EBITDA is stated as earnings before interest, tax, depreciation and amortisation before exceptional items.

\*\* The financial information for the Group is prepared for the 52 week periods to 25 February 2017 and 22 February 2015 and the 53 weeks ended 28 February 2016 and the 26 weeks ended 26 August 2017. The figures for the 53 week period to 28 February 2016 are therefore not entirely comparable with the two 52 week periods.

\*\*\* Earnings per share is presented to no decimal places.



## Consolidated Statement of Financial Position

	Notes	At 25 February 2017	At 28 February 2016	At 22 February 2015	At 26 August 2017	At 27 August 2016 (unaudited)
		£'000	£'000	£'000	£'000	£'000
<b>Non-current assets</b>						
Intangible assets	8	190	190	190	190	190
Property and equipment	10	14,215	11,165	9,573	15,652	12,102
		<u>14,405</u>	<u>11,355</u>	<u>9,763</u>	<u>15,842</u>	<u>12,292</u>
<b>Current assets</b>						
Inventory	11	23,522	19,075	11,470	30,620	22,184
Trade and other receivables	12	3,615	2,037	2,149	7,890	4,878
Deferred tax asset	12,16	104	–	519	110	–
Cash and cash equivalents	13	2,839	246	1,551	4,008	218
		<u>30,080</u>	<u>21,358</u>	<u>15,689</u>	<u>42,628</u>	<u>27,280</u>
<b>Total assets</b>		<u>44,485</u>	<u>32,713</u>	<u>25,452</u>	<u>58,470</u>	<u>39,572</u>
<b>Current liabilities</b>						
Trade and other payables	14	(19,007)	(9,722)	(9,981)	(25,993)	(16,156)
Bank overdraft	13	–	(4,482)	–	(4,728)	(3,161)
Preference shares	14, 19	(18,700)	–	–	(18,700)	(18,700)
		<u>(37,707)</u>	<u>(14,204)</u>	<u>(9,981)</u>	<u>(49,421)</u>	<u>(38,017)</u>
<b>Net current (liabilities)/assets</b>		<u>(7,627)</u>	<u>7,154</u>	<u>5,708</u>	<u>(6,793)</u>	<u>(10,737)</u>
<b>Non-current liabilities</b>						
Accruals and deferred income	15	(2,109)	(1,337)	(986)	(2,989)	(1,667)
Net obligation under finance lease and hire purchase	15	(71)	–	–	(183)	–
Deferred tax liability	15,16	–	(7)	–	–	–
Director loans	15	(3,850)	(3,850)	(3,850)	(3,850)	(3,850)
		<u>(6,030)</u>	<u>(5,194)</u>	<u>(4,836)</u>	<u>(7,022)</u>	<u>(5,517)</u>
Total liabilities		<u>(43,737)</u>	<u>(19,398)</u>	<u>(14,817)</u>	<u>(56,443)</u>	<u>(43,534)</u>
<b>Net assets/(liabilities)</b>		<u>748</u>	<u>13,315</u>	<u>10,635</u>	<u>2,027</u>	<u>(3,962)</u>
<b>Equity</b>						
Share capital	19	6	6	6	6	6
Preference shares	19	–	18,700	18,700	–	–
Share premium account		249	249	249	249	249
Retained earnings/(losses)		493	(5,640)	(8,320)	1,772	(4,217)
<b>Total equity</b>		<u>748</u>	<u>13,315</u>	<u>10,635</u>	<u>2,027</u>	<u>(3,962)</u>

## Consolidated Cash Flow Statement

		52 week period ended 25 February 2017	53 week period ended 28 February 2016*	52 week period ended 22 February 2015	26 week period ended 26 August 2017	26 week period ended 27 August 2016 (unaudited)
	Notes	£'000	£'000	£'000	£'000	£'000
<b>Cash generated from operating activities</b>						
Profit for the period: . . . . .		6,243	2,680	515	1,279	1,533
<i>Adjustments for:</i>						
Depreciation of property, plant and equipment . . . . .	3	2,777	2,400	1,739	2,000	1,196
Loss/(gain) on disposal of tangible assets . . . . .	3	20	6	27	(1)	22
Net finance charge . . . . .	6	311	154	75	36	131
Taxation charge/(credit) . . . . .		1,897	904	(123)	463	467
(Increase)/decrease in stock . . .		(4,447)	(7,605)	(2,638)	(7,098)	(3,109)
(Increase)/decrease in debtors . .		(1,578)	111	(98)	(4,281)	(2,840)
Increase/(decrease) in creditors		9,125	(394)	2,181	7,347	6,531
Corporation tax (paid)/received .		(1,517)	110	–	(884)	(296)
<b>Net cash generated from/(used in) operating activities . . . . .</b>		<b>12,831</b>	<b>(1,634)</b>	<b>1,678</b>	<b>(1,139)</b>	<b>3,635</b>
<b>Investing activities</b>						
Purchases of property, plant and equipment . . . . .		(5,711)	(4,036)	(2,625)	(2,581)	(2,212)
Sale of property, plant and equipment . . . . .		68	38	46	9	58
<b>Net cash used in investing activities . . . . .</b>		<b>(5,643)</b>	<b>(3,998)</b>	<b>(2,579)</b>	<b>(2,572)</b>	<b>(2,154)</b>
<b>Financing activities</b>						
Capital element of finance leases . . . . .		117	–	–	188	–
Dividends paid . . . . .		(110)	–	–	–	(110)
Interest paid . . . . .		(120)	(155)	(75)	(36)	(78)
<b>Net cash used in financing activities . . . . .</b>		<b>(113)</b>	<b>(155)</b>	<b>(75)</b>	<b>152</b>	<b>(188)</b>
<b>Net increase/(decrease) in cash and cash equivalents . . . . .</b>		<b>7,075</b>	<b>(5,787)</b>	<b>(976)</b>	<b>(3,559)</b>	<b>1,293</b>
(Overdraft)/cash and cash equivalents at beginning of period . . . . .		(4,236)	1,551	2,527	2,839	(4,236)
<b>Cash and cash equivalents/(Overdraft) at end of period . . . . .</b>		<b>2,839</b>	<b>(4,236)</b>	<b>1,551</b>	<b>(720)</b>	<b>(2,943)</b>

\* The financial information for the Group is prepared for the 52 week periods to 25 February 2017 and 22 February 2015 and the 53 weeks ended 28 February 2016 and the 26 weeks ended 26 August 2017. The figures for the 53 week period to 28 February 2016 are therefore not entirely comparable with the two 52 week periods.

## Consolidated Statement of Changes in Equity

	Share capital £'000	Preference Shares £'000	Share premium £'000	Retained earnings/ (losses) £'000	Total equity £'000
	£'000	£'000	£'000	£'000	£'000
<b>Balance at 28 February 2014</b> .....	6	18,700	249	(8,835)	10,120
Comprehensive Income:					
Profit for the period .....	–	–	–	515	515
<b>Balance at 22 February 2015</b> .....	6	18,700	249	(8,320)	10,635
Comprehensive Income:					
Profit for the period .....	–	–	–	2,680	2,680
<b>Balance at 28 February 2016</b> .....	6	18,700	249	(5,640)	13,315
Comprehensive Income:					
Profit for the period .....	–	–	–	6,243	6,243
Dividend .....	–	–	–	(110)	(110)
Reclassification of preference shares to debt .....	–	(18,700)	–	–	(18,700)
<b>Balance at 25 February 2017</b> .....	<b>6</b>	<b>–</b>	<b>249</b>	<b>493</b>	<b>748</b>

## Reconciliation of 26 week period to 27 August 2016

	Share capital £'000	Preference Shares £'000	Share premium £'000	Retained earnings/ (losses) £'000	Total equity £'000
	£'000	£'000	£'000	£'000	£'000
<b>Balance at 28 February 2016</b> .....	6	18,700	249	(5,640)	13,315
Comprehensive Income:					
Profit for the period .....	–	–	–	1,533	1,533
Dividend .....	–	–	–	(110)	(110)
Reclassification of preference shares to debt .....	–	(18,700)	–	–	(18,700)
<b>Balance at 27 August 2016</b> .....	<b>6</b>	<b>–</b>	<b>249</b>	<b>(4,217)</b>	<b>(3,962)</b>

## Reconciliation of 26 week period to 26 August 2017

	Share capital £'000	Preference Shares £'000	Share premium £'000	Retained earnings/ (losses) £'000	Total equity £'000
	£'000	£'000	£'000	£'000	£'000
<b>Balance at 25 February 2017</b> .....	6	–	249	493	748
Comprehensive Income:					
Profit for the period .....	–	–	–	1,279	1,279
<b>Balance at 26 August 2017</b> .....	<b>6</b>	<b>–</b>	<b>249</b>	<b>1,772</b>	<b>2,027</b>

In March 2016, the Directors declared and paid an interim dividend on A ordinary shares of £109,500 (2016 Interim Dividend). The Company did not have sufficient distributable reserves to make this distribution at that time and therefore it should not have been paid at that time. Later in the financial years, the Company had sufficient distributable reserves to declare a dividend. The Directors took legal advice and rectified the legal position.

## **1 Accounting policies**

### **1.1 General Information**

Footasylum plc (the “Company”) is a company limited by shares and incorporated and domiciled in the UK.

The registered office of the Company is Sandbrook House, Sandbrook Park, Rochdale, Lancashire, OL11 1RY.

The principal activity of the Company is the retail of sports and fashion footwear and clothing.

### **1.2 Basis of Preparation**

The Historical Financial Information (“HFI”) has been prepared in accordance with IFRS and the International Financial Reporting Interpretation Committee (‘IFRIC’) interpretations endorsed by the EU and with those parts of the 2006 Act applicable to companies reporting under IFRS.

The HFI set out here does not constitute the Company’s statutory accounts. The auditor has reported on the statutory accounts; the reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The historical financial information has been prepared in accordance with the requirements of the AIM Rules for Companies for the purposes of the AIM Admission Document.

The functional currency of the Company and its subsidiary undertakings (the “Group”) is pounds sterling and the financial statements are presented in pounds sterling, rounded to the nearest thousand.

The HFI is the first financial information of the Company prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

The financial information has been prepared under the historical cost convention, as modified for financial assets and liabilities at fair value through the Consolidated Income Statement.

The preparation of financial information in conformity with adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods present in the HFI and have been applied consistently by all Group entities.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, having particular regard to the net assets position of the Group, the access to a revolving credit facility (£30 million), and its forecast performance for the next 12 months. Thus, the directors consider that the Group will continue in operation as a going concern for the foreseeable future, adopting the going concern basis in preparing the HFI.

The Group continues to monitor the potential impact of other new standards and interpretations which may be endorsed and require adoption by the Group in future reporting periods. The Group has summarised the expected impact of standards, amendments or interpretations issued by the IASB, but not yet applicable, in 1.19.

## **1 Accounting policies (continued)**

### **1.2 Basis of Preparation (continued)**

The HFI for the Group is prepared for the 52 week periods to 25 February 2017 and 22 February 2015 and the 53 weeks ended 28 February 2016 and the 26 weeks ended 26 August 2017. The figures for the 53 week period to 28 February 2016 are therefore not entirely comparable with the two 52 week periods.

### **1.3 Critical Accounting Estimates and Judgements**

The preparation of HFI in conformity with adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The judgements, estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities is considered to surround inventory, due to the seasonal nature of the Group's retail businesses and the judgement required in assessing the recoverability of its carrying value. This is discussed further below:

#### *Provisions to Write Inventories Down to Net Realisable Value*

The Group makes provisions for obsolescence, mark downs and shrinkage based on historical experience, the quality of the current season buy, market trends and management estimates of future events. The provision requires estimates for shrinkage, the expected future selling price of items and identification of aged and obsolete items.

### **1.4 Other Accounting Estimates and Judgements**

#### *Impairment of Property, Plant and Equipment and Other Non-current Assets*

Property, plant and equipment and other non-current assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount of an asset or a cash generating unit is not recoverable. A cash generating unit is an individual store. The recoverable amount is the greater of the fair value less costs to sell and value-in-use. Impairment losses recognised in prior periods are assessed at each reporting period date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would be held (net of depreciation) if no impairment had been realised.

### **1.5 Revenue**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

In the case of goods sold through the retail stores and trading websites, revenue is recognised when goods are sold and the title has passed, less provision for returns. Accumulated experience is used to estimate and provide for such returns at the time of the sale and this provision is included within accruals. Retail sales are usually in cash, by debit card or by credit card.

Wholesale revenue is recognised when the title and the risks and rewards of ownership have passed to the customer. In some instances, goods are sold with a right of return. Where wholesale goods are sold with a right of return, a provision is made to estimate the expected level of returns based on accumulated experience and historical rates. The provision for returns is included within accruals. Wholesale sales are either settled by cash received in advance of the goods being dispatched or made on agreed credit terms.

## **1 Accounting policies (continued)**

### **1.6 Intangible assets**

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

### **1.7 Property, Plant and Equipment**

Items of property, plant and equipment are stated at purchase cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on the following basis.

Motor Vehicles – 25% reducing balance  
Fixtures and fittings – 10% straight line or over the term of the lease  
Computer equipment – 17-25% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount.

### **1.8 Leases**

#### *Operating lease payments*

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

#### *Finance lease payments*

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

### **1.9 Inventory**

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and production or conversion costs.

### **1.10 Non-derivative financial instruments**

Non-derivative financial instruments comprise 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 using the effective interest method, less any impairment losses.

#### *Trade and other payables*

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

## **1 Accounting policies (continued)**

### *Cash and cash equivalents*

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

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the statement of financial position date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange gains and losses are recognised in the income statement.

### *Interest-bearing borrowings*

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

### **1.11 Exceptional costs**

Items that are material in size and/or non-recurring in nature are presented as exceptional items in the income statement. The Directors are of the opinion that the separate recording of exceptional items provides helpful information about the Group's underlying business performance.

### **1.12 Dividends**

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

### **1.13 Pensions**

#### *Defined contribution pension plan*

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payments obligations.

The contributions are recognised as an expense in the Consolidated Income Statement when they fall due. Amounts not paid are shown in accruals as a liability in the Consolidated Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

### **1.14 Provisions for liabilities**

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Income statement in the period that the Group becomes aware of the obligation, and are measured at the best estimate at the Consolidated Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Consolidated Statement of Financial Position.

## **1 Accounting policies (continued)**

### **1.15 Current and deferred taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Consolidated Income Statement, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Consolidated Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been substantively enacted by the reporting date.

### **1.16 Preference Shares**

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Accordingly, a financial instrument is treated as equity if:

- There is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable; and
- The instrument is a non-derivative that contains no contractual obligations to deliver a variable number of shares or is a derivative that will be settled only by the Group exchanging a fixed amount of cash or other assets for a fixed number of the Group's own equity instruments.

When these conditions are not satisfied, preference shares are presented as a liability in the balance sheet. The corresponding dividends relating to the preference shares are charged as interest expense in the Consolidated Income Statement.

### **1.17 Share Capital & Share Premium**

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Group's ordinary shares are classified as equity instruments.

### **1.18 Capital risk management**

The Group's objectives when managing capital 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 and to maintain an optimal capital structure to reduce the cost of capital.

### **1.19 New standards, amendments to standards or interpretations**

The Group has not early adopted the following standards and statements which are not yet effective. The adoption of these standards is not expected to have a material impact on the Group's accounts when adopted, except where stated:

- IFRS 9 Financial Instruments. The new standard is effective for annual reporting periods beginning on or after 1 January 2018. The standard is not expected to have a material impact on the Group.



## 1 Accounting policies (continued)

- IFRS 15 Revenue from Contracts with Customers. The new standard is effective for annual reporting periods beginning on or after 1 January 2018. The Group continues to assess the impact of the standard but it is not expected to be material.
- IFRS 16 Leases. The new standard is effective for annual reporting periods beginning on or after 1 January 2019. Although the Group has not fully assessed the impact of the new standard, it is expected to be material due to the significant commitments under operating leases shown in note 20, the effect being the recognition of assets and liabilities in respect of these leases on the statement of financial position.

The Group intends to adopt the new standards and amendments no later than their applicable date, subject to endorsement by the EU.

## 2 Segmental reporting

The Directors consider there to be one operating and reportable segment, being that of the sale of products through retail outlets, the Group's website and wholesale.

The Group's CEO receives monthly financial information at this level and uses this information to monitor the performance of the store portfolio, allocate resources and make operational decisions. The internal reporting received focuses on the Group as a whole and does not identify individual segments.

## Geographic Information

The following table provides analysis of the Group's revenue by geographical market:

	52 week period ended 25 February 2017	53 week period ended 28 February 2016	52 week period ended 22 February 2015	26 week period ended 26 August 2017	26 week period ended 27 August 2016 (unaudited)
	£'000	£'000	£'000	£'000	£'000
United Kingdom . . . . .	142,632	108,924	78,011	81,491	59,973
Rest of the World . . . . .	4,331	1,516	–	1,682	1,152
	<u>146,963</u>	<u>110,440</u>	<u>78,011</u>	<u>83,173</u>	<u>61,125</u>

## 3 Expenses and Auditor's Remuneration

This is stated after charging/(crediting):

	52 week period ended 25 February 2017	53 week period ended 28 February 2016	52 week period ended 22 February 2015	26 week period ended 26 August 2017	26 week period ended 27 August 2016 (unaudited)
	£'000	£'000	£'000	£'000	£'000
Exceptional costs . . . . .	–	–	–	581	–
Depreciation of property, plant and equipment . . . . .	2,777	2,400	1,739	2,000	1,196
Loss on disposal of property, plant and equipment . . . . .	20	6	27	(1)	22
Exchange differences . . . . .	50	60	–	10	47
Hire of assets – operating leases . . . .	<u>11,609</u>	<u>9,935</u>	<u>8,356</u>	<u>6,628</u>	<u>5,708</u>

Exceptional costs in the period ending 26 August 2017 (£581,000) relate to preparations for Admission. Further costs have been incurred after the most recent statement of financial position date.

### 3 Expenses and Auditor's Remuneration (continued)

	52 week period ended 25 February 2017	53 week period ended 28 February 2016	52 week period ended 22 February 2015	26 week period ended 26 August 2017	26 week period ended 27 August 2016 (unaudited)
	£'000	£'000	£'000	£'000	£'000
<b>Auditor's remuneration</b>					
Fees payable for the auditing of the Group's annual accounts . . . . .	23	19	19	–	–
Fees payable for taxation compliance services . . . . .	5	4	4	–	–
Fees payable for other non-statutory audit services . . . . .	2	–	1	75	10

### 4 Staff numbers and costs

Staff costs (including directors) consist of:

	52 week period ended 25 February 2017	53 week period ended 28 February 2016	52 week period ended 22 February 2015	26 week period ended 26 August 2017	26 week period ended 27 August 2016 (unaudited)
	£'000	£'000	£'000	£'000	£'000
Wages and salaries . . . . .	19,546	14,328	11,407	11,099	8,150
Social security costs . . . . .	1,087	802	629	700	470
Pension costs . . . . .	95	60	44	61	38
	20,728	15,190	12,080	11,860	8,658

The average number of full time equivalent employees (including Directors) during the period was as follows:

	52 week period ended 25 February 2017	53 week period ended 28 February 2016	52 week period ended 22 February 2015	26 week period ended 26 August 2017	26 week period ended 27 August 2016 (unaudited)
	Number	Number	Number	Number	Number
Retail . . . . .	746	535	438	745	647
Administration . . . . .	173	140	115	224	158
Warehouse . . . . .	156	145	112	193	159
	1,075	820	665	1,162	964

### 5 Directors' remuneration

	52 week period ended 25 February 2017	53 week period ended 28 February 2016	52 week period ended 22 February 2015	26 week period ended 26 August 2017	26 week period ended 27 August 2016 (unaudited)
	£'000	£'000	£'000	£'000	£'000
Directors' emoluments . . . . .	462	175	89	342	229
Company contributions to defined contribution pension scheme . . . . .	11	5	1	7	6
	473	180	90	349	235

## 6 Finance costs

	52 week period ended 25 February 2017	53 week period ended 28 February 2016	52 week period ended 22 February 2015	26 week period ended 26 August 2017	26 week period ended 27 August 2016 (unaudited)
	£'000	£'000	£'000	£'000	£'000
<b>Finance expense</b>					
Net bank interest . . . . .	210	152	75	(20)	78
Dividend on preference shares . . . . .	2	2	–	–	–
Directors' Loan Interest . . . . .	99	–	–	43	53
Amortisation of loan arrangement costs . . . . .	–	–	–	13	–
	<u>311</u>	<u>154</u>	<u>75</u>	<u>36</u>	<u>131</u>

## 7 Taxation on profit on ordinary activities

	52 week period ended 25 February 2017	53 week period ended 28 February 2016	52 week period ended 22 February 2015	26 week period ended 26 August 2017	26 week period ended 27 August 2016 (unaudited)
	£'000	£'000	£'000	£'000	£'000
<b>Current tax expense/(credit)</b>					
Current period . . . . .	2,023	378	–	456	460
Adjustments in respect of prior periods . . . . .	(15)	–	(1)	13	14
Current tax expense/(credit) . . . . .	<u>2,008</u>	<u>378</u>	<u>(1)</u>	<u>469</u>	<u>474</u>
<b>Deferred taxation (credit)/expense</b>					
Origination and reversal of timing differences . . . . .	(106)	519	(122)	–	–
Changes to tax rates . . . . .	–	57	–	–	–
Adjustment in respect of prior periods . . . . .	(5)	(50)	–	(6)	(7)
Deferred tax (credit)/expense . . . . .	<u>(111)</u>	<u>526</u>	<u>(122)</u>	<u>(6)</u>	<u>(7)</u>
Total tax expense/(credit) . . . . .	<u>1,897</u>	<u>904</u>	<u>(123)</u>	<u>463</u>	<u>467</u>

The UK corporation tax rate was 23% in the period between 1 April 2013 to 31 March 2014, 21% between the period 1 April 2014 to 31 March 2015 and 20% between the period 1 April 2015 to 31 March 2017. The rate reduced to 19% with effect from 1 April 2017 and will reduce to 17% with effect from 1 April 2020. This will reduce the Group's future current tax charge accordingly. The deferred tax asset as at 26 August 2017 has been calculated based on a rate of 19% based on when the Group expects the deferred tax liability to reverse.

## 7 Taxation on profit on ordinary activities (continued)

The tax charge/(income) for the period can be reconciled to the profit per the Consolidated Income Statement as follows:

	52 week period ended 25 February 2017	53 week period ended 28 February 2016	52 week period ended 22 February 2015	26 week period ended 26 August 2017	26 week period ended 27 August 2016 (unaudited)
	£'000	£'000	£'000	£'000	£'000
Profit before tax . . . . .	8,140	3,584	392	1,742	2,000
Tax at the standard rate of corporation tax in the UK of 20.0% (2016: 20.08%) (2015 - 21.17%) (H1 2018: 20%) (H1 2017: 20.1%)	1,628	720	83	348	402
Effects of:					
Expenses not deductible for tax purposes . . . . .	289	213	232	115	92
Adjustments to tax charge in respect of prior periods . . . . .	(20)	(51)	–	–	(27)
Deferred tax not recognised . . . . .	–	22	(438)	–	–
Total tax charge/(income) for the period . . . . .	1,897	904	(123)	463	467

## 8 Intangible assets

	Goodwill
	£'000
<i>Cost</i>	
Balance at 1 March 2014, 22 February 2015, 28 February 2016, 27 August 2016, 25 February 2017 and 26 August 2017 . . . . .	190
<i>Amortisation and impairment</i>	
Balance at 1 March 2014, 22 February 2015, 28 February 2016, 27 August 2016, 25 February 2017 and 26 August 2017 . . . . .	–
<i>Carrying Value</i>	
Balance at 1 March 2014, 22 February 2015, 28 February 2016, 27 August 2016, 25 February 2017 and 26 August 2017 . . . . .	190

Upon transition to IFRS on 1 March 2014, goodwill was included on the basis of its deemed cost, which represents the amount recorded under previous Generally Accepted Accounting Principles (“GAAP”). The classification and accounting treatment of business combinations that occurred prior to 1 March 2014 have not been reconsidered in preparing the Group’s opening adopted IFRS balance sheet at 1 March 2014.

Goodwill acquired through business combinations has been allocated for impairment testing purposes on an ongoing business basis as a single cash-generating unit (CGU). An impairment test is a comparison of the carrying value of the assets of a business or CGU to their recoverable amount. Where the recoverable amount is less than the carrying value, then an impairment results. The Company carries out its impairment testing each period.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management, based on the business plan approved by the board.

The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and risks. The discount rate used in the impairment review during the periods was 3%. Management have considered sensitivity analysis and are satisfied that there is no risk of material impairment.

## 9 Subsidiaries

The following companies were the subsidiary undertakings of the Group as at 26 August 2017:

Name of subsidiary	Place of registration	Registered Address	Nature of business and operation	Ownership interest	Voting rights interests
Drome Limited	England	Sandbrook House, Sandbrook Park, Rochdale, Lancashire OL11 1RY	Dormant	100%	100%
Footasylum Brands Limited	England	Sandbrook House, Sandbrook Park, Rochdale, Lancashire OL11 1RY	Non-trading	100%	100%
Loyalti Limited	England	Sandbrook House, Sandbrook Park, Rochdale, Lancashire OL11 1RY	Non-trading	100%	100%
Projekts NYC Limited	England	Sandbrook House, Sandbrook Park, Rochdale, Lancashire OL11 1RY	Dormant	100%	100%

## 10 Property, Plant and Equipment

	Motor Vehicles	Fixtures and Fittings	Computer Equipment	Total
	£'000	£'000	£'000	£'000
<b>For the 52 week period ended 22 February 2015</b>				
<i>Cost:</i>				
As at 1 March 2014	507	11,408	1,562	13,477
Additions	347	1,889	389	2,625
Disposals	(163)	(5)	(1)	(169)
As at 22 February 2015	691	13,292	1,950	15,933
<i>Accumulated depreciation:</i>				
As at 1 March 2014	180	3,651	887	4,718
Depreciation charge	116	1,429	194	1,739
Disposals	(93)	(4)	–	(97)
As at 22 February 2015	203	5,076	1,081	6,360
<i>Net book value:</i>				
As at 22 February 2015	488	8,216	869	9,573
<b>For the 53 week period ended 28 February 2016</b>				
<i>Cost:</i>				
As at 22 February 2015	691	13,292	1,950	15,933
Additions	248	3,012	776	4,036
Disposals	(93)	–	–	(93)
As at 28 February 2016	846	16,304	2,726	19,876
<i>Accumulated depreciation:</i>				
As at 22 February 2015	203	5,076	1,081	6,360
Depreciation charge	148	1,947	305	2,400
Disposals	(49)	–	–	(49)
As at 28 February 2016	302	7,023	1,386	8,711
<i>Net book value:</i>				
As at 28 February 2016	544	9,281	1,340	11,165

## 10 Property, Plant and Equipment (continued)

	Motor Vehicles	Fixtures and Fittings	Computer Equipment	Total
	£'000	£'000	£'000	£'000
<b>For the 26 week period ended 27 August 2016</b>				
<i>Cost:</i>				
As at 28 February 2016 .....	846	16,304	2,726	19,876
Additions .....	98	2,010	104	2,212
Disposals .....	(142)	–	–	(142)
As at 27 August 2016 .....	802	18,314	2,830	21,946
<i>Accumulated depreciation:</i>				
As at 28 February 2016 .....	302	7,023	1,386	8,711
Depreciation charge .....	80	947	169	1,196
Disposals .....	(63)	–	–	(63)
As at 27 August 2016 .....	319	7,970	1,555	9,844
<i>Net book value:</i>				
As at 27 August 2016 .....	483	10,344	1,275	12,102
<b>For the 26 week period ended 25 February 2017</b>				
<i>Cost:</i>				
As at 27 August 2016 .....	802	18,314	2,830	21,946
Additions .....	16	3,303	383	3,702
Disposals .....	(27)	(12)	–	(39)
As at 25 February 2017 .....	791	21,605	3,213	25,609
<i>Accumulated depreciation:</i>				
As at 27 August 2016 .....	319	7,970	1,555	9,844
Depreciation charge .....	79	1,330	172	1,581
Disposals .....	(16)	–	(15)	(31)
As at 25 February 2017 .....	382	9,300	1,712	11,394
<i>Net book value:</i>				
As at 25 February 2017 .....	409	12,305	1,501	14,215
<b>For the 26 week period ended 26 August 2017</b>				
<i>Cost:</i>				
As at 25 February 2017 .....	791	21,605	3,213	25,609
Additions .....	135	2,776	534	3,445
Disposals .....	(21)	(666)	–	(687)
As at 26 August 2017 .....	905	23,715	3,747	28,367
<i>Accumulated depreciation:</i>				
As at 25 February 2017 .....	382	9,300	1,712	11,394
Depreciation charge .....	84	1,712	204	2,000
Disposals .....	(13)	(666)	–	(679)
As at 26 August 2017 .....	453	10,346	1,916	12,715
<i>Net book value:</i>				
As at 26 August 2017 .....	452	13,369	1,831	15,652

## 11 Inventories

	At 25 February 2017	At 28 February 2016	At 22 February 2015	At 26 August 2017	At 27 August 2016 (unaudited)
Inventory .....	25,381	20,367	12,279	32,732	23,829
Provision .....	(1,859)	(1,292)	(809)	(2,112)	(1,645)
	<u>23,522</u>	<u>19,075</u>	<u>11,470</u>	<u>30,620</u>	<u>22,184</u>

Expenses recorded within cost of sales:

	At 25 February 2017	At 28 February 2016	At 22 February 2015	At 26 August 2017	At 27 August 2016 (unaudited)
	£'000	£'000	£'000	£'000	£'000
Inventory expense .....	79,252	61,523	42,276	45,669	32,937
Impairment loss .....	247	436	228	253	353
	<u>79,499</u>	<u>61,959</u>	<u>42,504</u>	<u>45,922</u>	<u>33,290</u>

## 12 Trade and other receivables

	At 25 February 2017	At 28 February 2016	At 22 February 2015	At 26 August 2017	At 27 August 2016 (unaudited)
	£'000	£'000	£'000	£'000	£'000
Trade receivables .....	37	27	7	279	13
Other debtors .....	1,580	731	731	2,015	743
Prepayments and accrued income ..	1,998	1,279	1,411	5,596	4,122
	<u>3,615</u>	<u>2,037</u>	<u>2,149</u>	<u>7,890</u>	<u>4,878</u>
Deferred tax asset (see note 16)	104	–	519	110	–
	<u>3,719</u>	<u>2,037</u>	<u>2,668</u>	<u>8,000</u>	<u>4,878</u>

## 13 Cash and cash equivalents

	At 25 February 2017	At 28 February 2016	At 22 February 2015	At 26 August 2017	At 27 August 2016 (unaudited)
	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents .....	2,839	246	1,551	4,008	218
Bank overdraft .....	–	(4,482)	–	(4,728)	(3,161)
	<u>2,839</u>	<u>(4,236)</u>	<u>1,551</u>	<u>(720)</u>	<u>(2,943)</u>

**14 Trade and other payables (Current)**

	At 25 February 2017	At 28 February 2016	At 22 February 2015	At 26 August 2017	At 27 August 2016 (unaudited)
	£'000	£'000	£'000	£'000	£'000
Trade payables .....	6,382	4,188	4,389	11,481	4,397
Corporation tax .....	868	378	–	447	844
Other taxation and social security .....	4,876	1,944	2,321	2,585	2,294
Net obligation under finance lease and hire purchase .....	46	–	–	122	–
Accruals and deferred income .....	6,835	3,212	3,271	11,358	8,621
Preference Shares (see notes 18 and 19) .....	18,700	–	–	18,700	18,700
	<u>37,707</u>	<u>9,722</u>	<u>9,981</u>	<u>44,693</u>	<u>34,856</u>

**15 Trade and other payables (Non-current)**

	At 25 February 2017	At 28 February 2016	At 22 February 2015	At 26 August 2017	At 27 August 2016 (unaudited)
	£'000	£'000	£'000	£'000	£'000
Director's Loan Accounts (See note 21) .....	3,850	3,850	3,850	3,850	3,850
Net obligation under finance lease and hire purchase .....	71	–	–	183	–
Accruals and deferred income .....	2,109	1,337	986	2,989	1,667
Deferred tax liability (see note 16) ...	–	7	–	–	–
	<u>6,030</u>	<u>5,194</u>	<u>4,836</u>	<u>7,022</u>	<u>5,517</u>

The minimum lease payments under finance leases fall due as follows:

	At 25 February 2017	At 28 February 2016	At 22 February 2015	At 26 August 2017	At 27 August 2016 (unaudited)
	£'000	£'000	£'000	£'000	£'000
Within 1 years .....	46	–	–	122	–
Between 1 and 5 years .....	71	–	–	183	–
	<u>117</u>	<u>–</u>	<u>–</u>	<u>305</u>	<u>–</u>
Future finance charges on finance leases .....	(2)	–	–	(6)	–
Present value of finance lease liabilities .....	<u>115</u>	<u>–</u>	<u>–</u>	<u>299</u>	<u>–</u>



## 16 Deferred taxation

The following are the deferred tax assets and liabilities recognised by the Group in the period.

	At 25 February 2017	At 28 February 2016	At 22 February 2015	At 26 August 2017	At 27 August 2016 (unaudited)
	£'000	£'000	£'000	£'000	£'000
Deferred tax asset . . . . .	104	–	519	110	–
Deferred tax liability . . . . .	–	(7)	–	–	–
	<u>104</u>	<u>(7)</u>	<u>519</u>	<u>110</u>	<u>–</u>
	At 25 February 2017	At 28 February 2016	At 22 February 2015	At 26 August 2017	At 27 August 2016 (unaudited)
	£'000	£'000	£'000	£'000	£'000
<b>Reconciliation of deferred tax balances</b>					
Balance at beginning of period . . . . .	(7)	519	397	104	(7)
Deferred tax credit/(expense) . . . . .	111	(526)	122	6	7
Balance at end of the period . . . . .	<u>104</u>	<u>(7)</u>	<u>519</u>	<u>110</u>	<u>–</u>

Deferred tax balances relate to the following:

	At 25 February 2017	At 28 February 2016	At 22 February 2015	At 26 August 2017	At 27 August 2016
Tax losses carried forward . . . . .	–	–	594	110	–
Other temporary differences . . . . .	104	(7)	(75)	–	–
	<u>104</u>	<u>(7)</u>	<u>519</u>	<u>110</u>	<u>–</u>

## 17 Interest-bearing loans and borrowings

	At 25 February 2017	At 28 February 2016	At 22 February 2015	At 26 August 2017	At 27 August 2016 (unaudited)
	£'000	£'000	£'000	£'000	£'000
<b>Creditors falling due after more than one year</b>					
<b>Unsecured borrowings at Amortised cost</b>					
Directors' loan (see note 21) . . . . .	3,850	3,850	3,850	3,850	3,850
Finance lease liabilities . . . . .	71	–	–	183	–
<b>Creditors falling due within less than one year</b>					
Finance lease liabilities . . . . .	46	–	–	122	–
Preference shares (see notes 18 and 19) . . . . .	18,700	–	–	18,700	18,700
Secured bank facility – revolving credit facility (see note 18) . . . . .	–	4,482	–	4,728	3,161
<b>Total interest bearing loans and borrowings . . . . .</b>	<u>22,667</u>	<u>8,332</u>	<u>3,850</u>	<u>27,583</u>	<u>25,711</u>

The bank facility is secured against certain defined non-current assets held by the Group.

## 18 Financial Instruments

### (a) Fair values of financial instruments

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

#### Risk management framework

Risk management is carried out by the Group's finance department under policies approved by the board of directors. The board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

#### Market risk

##### (i) Foreign currency risk

The Company sources an amount of purchases in US dollars and monitors its foreign currency requirements through short, medium and long term cash forecasting. The Group is in advanced discussion to enter into forward contracts to hedge key currencies in proportion to the calculated net exposure.

The Group's exposure to foreign currency risk is as follows. This is based on the carrying amount for monetary financial instruments:

<b>26 August 2017</b>	<b>US Dollar</b>	<b>Euro</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Trade payables . . . . .	845	95	940
<b>Balance sheet exposure . . . . .</b>	<b>845</b>	<b>95</b>	<b>940</b>
<b>27 August 2016</b>	<b>US Dollar</b>	<b>Euro</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Trade payables . . . . .	158	22	180
<b>Balance sheet exposure . . . . .</b>	<b>158</b>	<b>22</b>	<b>180</b>
<b>25 February 2017</b>	<b>US Dollar</b>	<b>Euro</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Trade payables . . . . .	916	201	1,117
<b>Balance sheet exposure . . . . .</b>	<b>916</b>	<b>201</b>	<b>1,117</b>
<b>28 February 2016</b>	<b>US Dollar</b>	<b>Euro</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Trade payables . . . . .	314	71	385
<b>Balance sheet exposure . . . . .</b>	<b>314</b>	<b>71</b>	<b>385</b>
<b>22 February 2015</b>	<b>US Dollar</b>	<b>Euro</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Trade payables . . . . .	276	151	427
<b>Balance sheet exposure . . . . .</b>	<b>276</b>	<b>151</b>	<b>427</b>

## 18 Financial Instruments (continued)

### Sensitivity Analysis

A 5% weakening of the following currencies against pounds sterling at the balance sheet date would have decreased profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

	52 week period ended 25 February 2017	53 week period ended 28 February 2016	52 week period ended 22 February 2015	26 week period ended 26 August 2017	26 week period ended 27 August 2016 (unaudited)
	£'000	£'000	£'000	£'000	£'000
US Dollar . . . . .	(59)	(24)	(22)	(52)	(11)
Euro . . . . .	(11)	(5)	(10)	(6)	(1)

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant.

A 5% strengthening of the above currencies against the pounds sterling in any period would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

### (ii) Interest rate risk

#### Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings. As at 26 August 2017, the Group has drawn down £5,000,000 of its revolving credit facility. The same facilities had an undrawn revolving credit facility of £25,000,000, which expires on 6 July 2021. The borrowings incur interest at varying rates between 2.15% to 3.00% based on LIBOR which exposes the Group to cash flow interest rate risk. The analysis of loan repayments is detailed in note 17. The Directors' loan incurs interest at 2% above base rate, whilst the preference shares incur a fixed interest charge of 0.01%.

#### Profile

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

	At 25 February 2017	At 28 February 2016	At 22 February 2015	At 26 August 2017	At 27 August 2016 (unaudited)
	£'000	£'000	£'000	£'000	£'000
<b>Variable rate instruments</b>					
Financial assets . . . . .	–	–	–	–	–
Financial liabilities . . . . .	(22,550)	(8,332)	(3,850)	(27,278)	(25,711)
<b>Total financial liabilities</b> . . . . .	<b>(22,550)</b>	<b>(8,332)</b>	<b>(3,850)</b>	<b>(27,278)</b>	<b>(25,711)</b>

#### Revolving credit facilities

As at 26 August 2017, the Group had drawn down £5,000,000 of its revolving credit facility. The same facilities has an undrawn revolving credit facility of £25,000,000, which expires on 6 July 2021. The borrowings incur interest at varying rates between 2.15% to 3.00% based on LIBOR which exposes the Group to cash flow interest rate risk.

#### Directors' loans

The Directors' loan of £3,850,000, which expires on 6 August 2021, incurs interest at 2% above base rate.

## 18 Financial Instruments (continued)

### Preference shares

Preference shares may be redeemed at the election of the Company or at the election of the preference shareholders upon an exit event, at a value of £1 per share. The Group may elect to redeem all or some of the shares at any one time. The holders of the shares shall be entitled to a fixed rate cumulative preferential annual dividend of £0.0001 per share held by them and shall not otherwise be entitled to share in the profits of the Company. This equates to an interest charge of 0.01%. As per accounting policy 1.16, these shares are recorded as a liability.

### Sensitivity analysis

A change of 0.5 basis points in interest rates at the balance sheet date would have increased/ (decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates. The analysis is performed on the same basis for comparative period.

	52 week period ended 25 February 2017	53 week period ended 28 February 2016	52 week period ended 22 February 2015	26 week period ended 26 August 2017	26 week period ended 27 August 2016 (unaudited)
	£'000	£'000	£'000	£'000	£'000
Increase .....	1,128	417	193	1,364	1,286
Decrease .....	(1,128)	(417)	(193)	(1,364)	(1,286)

### Credit risk

#### *Financial risk management*

Credit risk arises from the possibility of customers and counterparties failing to meet their obligations to the Group. Investments of cash surpluses, borrowings and derivative instruments are made through major banks, which must meet minimum credit ratings as required by the Board.

All customers who wish to trade on credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis and provision is made for impairment where amounts are not thought to be recoverable. At the reporting date there were no significant concentrations of credit risk and receivables which are not believed to be recoverable.

#### *Exposure to credit risk*

The Group's maximum exposure to credit risk being the carrying amount of financial assets is summarised in the table within the fair values section below.

## 18 Financial Instruments (continued)

### (iii) Liquidity risk

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

Management prepares and monitors rolling forecasts of the Group's cash balances based on expected cash flows to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without risking damage to the Group's reputation. Covenants are monitored on a regular basis to ensure there is no risk or breach which would lead to an 'Event of Default'.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	At 25 February 2017	At 28 February 2016	At 22 February 2015	At 26 August 2017	At 27 August 2016 (unaudited)
	£'000	£'000	£'000	£'000	£'000
<b>Non-derivative financial liabilities</b>					
Secured revolving credit facility . . . . .	–	(4,482)	–	(4,728)	(3,161)
Trade and other payables . . . .	(43,737)	(14,916)	(14,817)	(51,715)	(40,373)
	<u>(43,737)</u>	<u>(19,398)</u>	<u>(14,817)</u>	<u>(56,443)</u>	<u>(43,534)</u>

### Trade and other payables and receivables

The fair value of these items are considered to be their carrying value as the impact of discounting future cash flows has been assessed as not material.

### Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

### Long-term and short-term borrowings

The fair value of bank loans and other loans approximates to its carrying value as it has an interest rate based on LIBOR.

### Short-term deposits

The fair value of short term deposits is considered to be the carrying value as the balances are held in floating rate accounts where the interest rate is reset to market rates.

### Preference shares

The Directors believe that the fair value of the preference shares approximates to their carrying value.

## 18 Financial Instruments (continued)

### Fair values

The fair values of all financial assets and financial liabilities by class together with their carrying amounts shown in the balance sheets are as follows:

	Carrying amount 25 February 2017	Fair value 25 February 2017	Carrying value 28 February 2016	Fair value 28 February 2016
	£'000	£'000	£'000	£'000
<b>Loans and receivables</b>				
Cash and cash equivalents . . . . .	2,839	2,839	(4,236)	(4,236)
Trade and other receivables . . . . .	3,615	3,615	2,037	2,037
Trade and other payables . . . . .	(43,737)	(43,737)	(14,916)	(14,916)
Total financial assets . . . . .	<u>(37,283)</u>	<u>(37,283)</u>	<u>(17,115)</u>	<u>(17,115)</u>
	Carrying amount 22 February 2015	Fair value 22 February 2015		
	£'000	£'000		
<b>Loans and receivables</b>				
Cash and cash equivalents . . . . .	1,551	1,551		
Trade and other receivables . . . . .	2,149	2,149		
Trade and other payables . . . . .	(14,817)	(14,817)		
Total financial assets . . . . .	<u>(11,117)</u>	<u>(11,117)</u>		
	Carrying amount 26 August 2017	Fair value 26 August 2017	Carrying value 27 August 2016 (unaudited)	Fair value 27 August 2016 (unaudited)
	£'000	£'000	£'000	£'000
<b>Loans and receivables</b>				
Cash and cash equivalents . . . . .	(720)	(720)	(2,943)	(2,943)
Trade and other receivables . . . . .	7,890	7,890	4,878	4,878
Trade and other payables . . . . .	(51,715)	(51,715)	(40,373)	(40,373)
Total financial assets . . . . .	<u>(44,545)</u>	<u>(44,545)</u>	<u>(38,438)</u>	<u>(38,438)</u>

The Directors believe that the fair value of the Group's financial instruments are not materially different to its carrying value.

## 19 Share capital

	At 25 February 2017	At 28 February 2016	At 22 February 2015	At 26 August 2017	At 27 August 2016 (unaudited)
	£'000	£'000	£'000	£'000	£'000
<b>Allotted and fully paid</b>					
6,000 'A' Ordinary shares of £1 each .....	6	6	6	6	6
18,700,000 'B' Preference shares of £1 each .....	–	18,700	18,700	–	–
	<u>6</u>	<u>18,706</u>	<u>18,706</u>	<u>6</u>	<u>6</u>
<b>Shares classified as debt</b>					
18,700,000 'B' Preference shares of £1 each classified as liabilities .....	<u>18,700</u>	<u>–</u>	<u>–</u>	<u>18,700</u>	<u>18,700</u>

The 'B' Shares may be redeemed at the election of the Company or at the election of the preference shareholders upon an exit event, at a value of £1 per share. The Company may elect to redeem all or some of the 'B' Shares at any one time. The holders of the 'B' Shares shall be entitled to a fixed rate cumulative preferential annual dividend of £0.0001 per 'B' Share held by them and shall not otherwise be entitled to share in the profits of the Company.

The holders of the 'A' Shares shall be entitled to receive by way of dividend such part of the balance of any profits available for distribution (after payment to the holders of the 'B' Shares) as the Directors may in their absolute discretion decide to pay by way of interim dividend or as the Shareholders may resolve to pay upon the recommendation of the Directors, pro rata to their holdings of 'A' Shares.

On 22 March 2016 the Company made a resolution to amend the dividend rights attached to the 'B' Shares in the Company's Articles of Association. As outlined in accounting policy note 1.17, a component that creates a financial liability is presented as a liability and as such, this amendment resulted in the 'B' Shares being classified as debt.

## 20 Commitments under operating leases

The Group had minimum lease payments under non-cancellable operating leases as set out below:

	At 25 February 2017	At 28 February 2016	At 22 February 2015	At 26 August 2017	At 27 August 2016 (unaudited)
	£'000	£'000	£'000	£'000	£'000
Less than one year .....	12,359	10,859	9,010	12,232	11,973
Between one and five years .....	38,469	32,470	25,859	38,436	36,925
More than five years .....	26,179	19,578	14,570	24,240	24,399
	<u>77,007</u>	<u>62,907</u>	<u>49,439</u>	<u>74,908</u>	<u>73,297</u>

The Group had no capital commitments at 26 August 2017.

## 21 Related party transactions

During the period the Group entered into commercial transactions with related parties as shown in the table below.

### 26 week period ended 26 August 2017

	Description of related party	Sales to related party	Purchases from related party	Balance owed by related party	Balance owed to related party
		£'000	£'000	£'000	£'000
John Wardle .....	a	–	–	–	3,850
2Squared Agency Limited .....	b	–	339	–	–
Creative Pedestrian Limited .....	c	–	127	–	–

### 52 week period ended 25 February 2017

	Description of related party	Sales to related party	Purchases from related party	Balance owed by related party	Balance owed to related party
		£'000	£'000	£'000	£'000
John Wardle .....	a	–	–	–	3,850
2Squared Agency Limited .....	b	–	2,419	–	–
Creative Pedestrian Limited .....	c	–	585	–	–

### 26 week period ended 27 August 2016 (unaudited)

	Description of related party	Sales to related party	Purchases from related party	Balance owed by related party	Balance owed to related party
		£'000	£'000	£'000	£'000
John Wardle .....	a	–	–	–	3,850
2Squared Agency Limited .....	b	–	1,108	–	–
Creative Pedestrian Limited .....	c	–	162	–	–

### 53 week period ended 28 February 2016

	Description of related party	Sales to related party	Purchases from related party	Balance owed by related party	Balance owed to related party
		£'000	£'000	£'000	£'000
John Wardle .....	a	–	–	–	3,850
2Squared Agency Limited .....	b	–	2,274	–	–
Creative Pedestrian Limited .....	c	–	209	–	–

### 52 week period ended 22 February 2015

	Description of related party	Sales to related party	Purchases from related party	Balance owed by related party	Balance owed to related party
		£'000	£'000	£'000	£'000
John Wardle .....	a	–	–	–	3,850
2Squared Agency Limited .....	b	–	59	–	–
Creative Pedestrian Limited .....	c	–	61	–	–



## **21 Related party transactions (continued)**

The nature of the relationship and the transactions entered into with the related party are:

- (a) The Group had an unsecured loan outstanding from one of its Directors, repayable on 6 August 2021. Interest was charged at 2% above base. As at 26 August 2017 accrued interest was £43,000.
- (b) The Group made purchases from 2Squared Agency Limited, a company which David Makin's brother, Steve Makin is a director.
- (c) The Group made purchases from Creative Pedestrian Limited, a company which David Makin's brother, Martin Makin is a director.

### ***Key management compensation***

The remuneration of the Directors, who are considered to be the only key management personnel of the Group, is disclosed in note 5 of this HFI. The Directors' remuneration is the same as the Directors' compensation.

## **22 Events after the balance sheet date**

On 16 October 2017 the Group announced its intention to undertake a placing and to seek the admission to trading on AIM of its ordinary share capital.

## 23 Opening statement of financial position

As explained in the basis of preparation in note 1, the financial information has been prepared as if the date of transition to IFRS is 1 March 2014. The Consolidated Statement of Financial Position at that date is set out below:

### IFRS

	At 1 March 2014
	£'000
<b>Non-current assets</b>	
Intangible assets .....	190
Property and equipment .....	8,759
	<u>8,949</u>
<b>Current assets</b>	
Inventory .....	8,832
Trade and other receivables .....	1,563
Deferred tax assets .....	397
Cash and cash equivalents .....	2,527
	<u>13,319</u>
<b>Total assets</b> .....	<u>22,268</u>
<b>Current liabilities</b>	
Trade and other payables .....	(7,266)
	<u>(7,266)</u>
<b>Net current assets</b> .....	<u>6,053</u>
<b>Non-current liabilities</b>	
Accruals and deferred income .....	(1,032)
Director loans .....	(3,850)
	<u>(4,882)</u>
<b>Total liabilities</b> .....	<u>(12,148)</u>
<b>Net assets</b> .....	<u>10,120</u>
<b>Equity</b>	
Share capital .....	6
Preference shares .....	18,700
Share premium account .....	249
Retained (losses) .....	(8,835)
<b>Total equity</b> .....	<u>10,120</u>

## 24 Transition to IFRS

The historical financial information for the periods up to and including the 26 weeks ended 26 August 2017 has been prepared in accordance with IFRS. Previously, the Group prepared its financial statements for these periods in accordance with FRS 102.

Accordingly, the Group has prepared financial information which complies with IFRS applicable for periods ending on or after 26 August 2017, as described in the summary of significant accounting policies. In preparing the financial information, the Group's opening Combined Statement of Financial Position was prepared as at 1 March 2014, the Group's date of transition to IFRS. In restating its financial information, the Group has reversed a charge for the amortisation of goodwill in accordance with accounting policies described below.

A summary of the impact of transition to the Combined Statement of Financial Position is as follows:

	52 week period ended 25 February 2017	53 week period ended 28 February 2016	52 week period ended 22 February 2015
	£'000	£'000	£'000
Equity reported in accordance with FRS 102 . . . . .	559	13,147	10,551
Transition adjustments: Amortisation of Goodwill . . . . .	189	168	84
<b>Equity reported in accordance with IFRS . . . . .</b>	<b>748</b>	<b>13,315</b>	<b>10,635</b>

### Notes:

Goodwill is not amortised but is subject to annual impairment review under IFRS. Under FRS 102, goodwill is amortised.

A summary of the impact of transition to the Consolidated Income Statement and Other Comprehensive Income is as follows:

	52 week period ended 25 February 2017	53 week period ended 28 February 2016	52 week period ended 22 February 2015
	£'000	£'000	£'000
Total recognised gains and losses reported per FRS 102 . . . . .	6,222	2,596	431
Transition adjustments:			
Amortisation of goodwill . . . . .	21	84	84
<b>Total comprehensive income per IFRS . . . . .</b>	<b>6,243</b>	<b>2,680</b>	<b>515</b>

### Restatement

In the financial statements for the 52 week period ended 25 February 2017, the preference shares balance of £18.7 million is disclosed as a non-current liability. The Directors have reconsidered this classification during the period ended 26 August 2017 and are of the view that this balance should be disclosed as a current liability for both the period ended 26 August 2017 and the period ended 25 February 2017. As disclosed elsewhere in this document, part of the estimated net proceeds of the placing receivable by the Company will be utilised to redeem the preference shares following Admission.

## PART IV

### UNAUDITED PROFORMA STATEMENT OF NET ASSETS OF THE GROUP

Set out below is an unaudited pro forma statement of net assets for the Group as at 26 August 2017. It has been prepared by the Directors on the basis set out in the notes below to illustrate the effect of the Placing and the Subscription described in paragraph 16 of Part I of this Document, as if they had occurred as at 26 August 2017.

The unaudited pro forma statement of net assets has been prepared for illustrative purposes only and by its nature, addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results. It is compiled from the IFRS statement of financial position of the Group as at 26 August 2017 as set out in Section B of Part III of this Document.

Potential investors should read the whole of this Document and not rely solely on the financial information contained in this Part IV.

	As at 26 August 2017	Net proceeds of the Placing and the Subscription receivable by the Company	Redemption of Preference Shares	Settlement of Director loan	Unaudited pro forma total
	£'000 <sup>(i)</sup>	£'000 <sup>(ii)</sup>	£'000 <sup>(iii)</sup>	£'000 <sup>(iv)</sup>	£'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Intangible assets	190	–	–	–	190
Property and equipment	15,652	–	–	–	15,652
<b>Total non-current assets</b>	<b>15,842</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>15,842</b>
<b>Current assets</b>					
Inventory	30,620	–	–	–	30,620
Trade and other receivables	7,890	–	–	–	7,890
Deferred tax asset	110	–	–	–	110
Cash and cash equivalents	4,008	37,518	(18,700)	(3,873)	18,953
<b>Total current assets</b>	<b>42,628</b>	<b>37,518</b>	<b>(18,700)</b>	<b>(3,873)</b>	<b>57,573</b>
<b>Total assets</b>	<b>58,470</b>	<b>37,518</b>	<b>(18,700)</b>	<b>(3,873)</b>	<b>73,415</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables	(25,993)	–	–	23	(25,970)
Bank overdraft	(4,728)	–	–	–	(4,728)
Preference shares	(18,700)	–	18,700	–	–
<b>Total current liabilities</b>	<b>(49,421)</b>	<b>–</b>	<b>18,700</b>	<b>23</b>	<b>(30,698)</b>
<b>Net current (liabilities)/assets</b>	<b>(6,793)</b>	<b>37,518</b>	<b>–</b>	<b>(3,850)</b>	<b>26,875</b>
<b>Non-current liabilities</b>					
Accruals and deferred income	(2,989)	–	–	–	(2,989)
Net obligation under finance lease and hire purchase	(183)	–	–	–	(183)
Director loans	(3,850)	–	–	3,850	–
<b>Total non-current liabilities</b>	<b>(7,022)</b>	<b>–</b>	<b>–</b>	<b>3,850</b>	<b>(3,172)</b>
<b>Total liabilities</b>	<b>(56,443)</b>	<b>–</b>	<b>18,700</b>	<b>3,873</b>	<b>(33,870)</b>
<b>Net Assets</b>	<b>2,027</b>	<b>37,518</b>	<b>–</b>	<b>–</b>	<b>39,545</b>

#### Notes

- (i) The financial information as at 26 August 2017 has been extracted, without material adjustment, from the Historical Financial Information on the Group as set out in Part III of this Document.
- (ii) This adjustment represents the net proceeds of the Placing and the Subscription receivable by the Company of £37.5 million, being gross proceeds of £43.4 million less estimated fees and expenses (exclusive of VAT).
- (iii) This adjustment relates to the redemption of the Preference Shares in accordance with the Redemption Agreement.

- (iv) This adjustment relates to the repayment of the Director's loan and outstanding interest owing to John Wardle.
- (v) The unaudited pro forma statement of net assets does not reflect any trading or other transactions undertaken by the Company since 26 August 2017 that may change the financial position.
- (vi) The unaudited pro forma statement of net assets does not constitute financial statements within the meaning of section 434 of the 2006 Act.

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

**1. Responsibility**

The Company and the Directors, whose names are set out on page 24 of this Document, accept responsibility for the information contained in this Document. To the best of the knowledge and belief of the Company and the Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

**2. The Company**

- 2.1 The Company was incorporated and registered in England and Wales on 12 August 2005 with the name Footasylum Limited and with the registered number 05535565 as a private company with limited liability. It is domiciled in England.
- 2.2 The Company was re-registered as a public limited company with the name Footasylum plc on 26 October 2017. The Company trades under the name “Footasylum”.
- 2.3 The Company’s registered office and principal place of business is at Sandbrook House, Sandbrook Park, Rochdale, Lancashire OL11 1RY. The Company’s telephone number is +44 (0)1706 714 299.
- 2.4 The Company operates under the 2006 Act and the liability of its members is limited.

**3. Subsidiary Undertakings**

- 3.1 The Company is the ultimate holding company of the Group. The following table contains details of the Company’s subsidiaries.

<u>Name</u>	<u>Principal activity</u>	<u>Percentage of issued share capital held (direct or indirect)</u>	<u>Jurisdiction of incorporation</u>
Footasylum Brands Limited . . . .	Non-trading	100%	UK
Projekts NYC Limited . . . . .	Dormant	100%	UK
Drome Limited . . . . .	Dormant	100%	UK
Loyalti Limited . . . . .	Non-trading	100%	UK

- 3.2 All the subsidiaries are wholly owned.
- 3.3 The registered office of each of the companies detailed in paragraph 3.1 above is Sandbrook House, Sandbrook Park, Rochdale, Lancashire OL11 1RY.

**4. Share Capital**

- 4.1 The issued share capital of the Company on incorporation was one ordinary share of £1.00.
- 4.2 There have been the following changes in the Company’s share capital since incorporation:
- 4.2.1 on incorporation, one ordinary share of £1.00 was allotted and issued, credited as fully paid, as a subscriber share to Everdirector Limited and subsequently transferred to David Makin;
- 4.2.2 on 18 August 2005, one further ordinary share of £1.00 was allotted and issued, credited as fully paid;
- 4.2.3 on 25 October 2005, a further 898 ordinary shares of £1.00 were allotted and issued, credited as fully paid;
- 4.2.4 by a written resolution passed on 13 January 2009 by the members of the Company it was resolved that the existing shares in issue be re-designated as “A” ordinary shares of £1.00 each;

- 4.2.5 on 13 January 2009 the Company also allotted and issued, credited as fully paid, the following:
- (a) 4,100 A ordinary shares of £1.00 each; and
  - (b) 13,400,000 B preference shares of £1.00 each;
- 4.2.6 on 28 September 2011 the Company allotted and issued, credited as fully paid, 5,300,000 B preference shares of £1.00 each;
- 4.2.7 on 25 February 2013 the Company allotted and issued, credited as fully paid, 1,000 A ordinary shares of £1.00 each;
- 4.2.8 by a written resolution passed on 13 October 2017 by the members of the Company it was resolved that:
- (a) the A ordinary shares of £1.00 each in issue be re-designated as ordinary shares of £1.00 each;
  - (b) the Directors be generally and unconditionally authorised in accordance with section 551 of the 2006 Act to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to a maximum amount of £72,000, such authority to expire on Admission;
  - (c) the Directors be empowered pursuant to section 570 of the 2006 Act to allot equity securities (as defined in section 560 of that Act) pursuant to the general authority given to them for the purposes of section 551 of that Act as described in paragraph 4.2.8.(b) above as if section 561(1) of that Act did not apply to any such allotment;
  - (d) in respect of the bonus issue of shares as authorised in paragraph 4.2.8 (b), the sum of £72,000 be capitalised in order to credit 72,000 new ordinary shares of £1.00 each as fully paid; and
  - (e) the entire issued ordinary share capital of the Company being 78,000 ordinary shares of £1.00 each be and is sub-divided into 78,000,000 ordinary shares of £0.001 each.
- 4.2.9 by a written resolution passed on 25 October 2017 by the members of the Company it was resolved that:
- (a) conditional upon Admission the redemption by the Company of the Preference Shares in issue be approved in accordance with the terms of the Redemption Agreement between the Company and the holders of the Preference Shares, the terms of which are also hereby approved;
  - (b) pursuant to the provisions of section 90 of the 2006 Act, the Company be re-registered as a public company and the Interim Articles (as disclosed in further detail at paragraph 6.1 of this Part V) be adopted as the articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association; and
  - (c) conditional on the passing of the resolutions set out in paragraphs 4.2.9 (a) and 4.2.9 (b) above, a further set of articles of association (as disclosed in further detail at paragraph 6.2 of this Part V) be approved for adoption on completion of the Redemption.
- 4.2.10 The New Shares will be issued in accordance with the following resolutions of the Company passed on 26 October 2017 and conditional on (but effective immediately prior to) Admission taking place, which:

- (a) generally and unconditionally authorises the Directors in accordance with section 551 of the 2006 Act to allot shares or grant options or other rights to subscribe for shares in the Company up to an aggregate nominal amount of up to:
- (i) £26,474.39 in respect of the New Shares;
  - (ii) following Admission, up to an aggregate nominal amount of £34,824.797, equal to one third of the Company's issued share capital on Admission; and
  - (iii) following Admission, up to an aggregate nominal amount of £34,824.797 (such amount to be reduced by the extent the authority granted by paragraph 4.2.10(a)(ii) is utilised) in connection with an offer by way of a rights issue to ordinary shareholders in proportion to their existing shareholdings (and holders of any equity securities entitled to participate or as the Directors otherwise consider necessary),

such authorities to expire (unless previously revoked, varied or renewed) in the case of the authority in paragraph 4.2.10(a)(i), on Admission and in the case of the authorities described in paragraphs 4.2.10(a)(ii) and 4.2.10(a)(iii) on the earlier of the conclusion of the first annual general meeting of the Company and the close of business on 26 January 2019 (save that the Company may before the expiry of such periods make offers or agreements which would or might require shares to be allotted or rights to be granted after expiry of these authorities, and the Directors may allot shares or grant rights in pursuance of any such offer or agreement to subscribe for or convert any security into shares notwithstanding the authority conferred has expired);

- (b) empower the Directors pursuant to section 570 of the 2006 Act to allot equity securities (within the meaning of section 560 of the 2006 Act), or grant options or other rights to subscribe for shares, for cash:
- (i) pursuant to the authority granted as described in paragraph 4.2.10(a)(i);
  - (ii) pursuant to the authorities granted as described in paragraphs 4.2.10(a)(ii) and 4.2.10(a)(iii) above in connection with a pre-emptive offer; and
  - (iii) up to an aggregate nominal amount of £5,223.719, equal to five per cent. of the Company's share capital on Admission,
  - (iv) provided always that such powers expire (unless previously revoked, varied or renewed) in the case of the authorities in this paragraph 4.2.10(a)(i) on Admission and in the case of the authorities in paragraphs 4.2.10(b)(ii) and 4.2.10(b)(iii) on the earlier of the conclusion of the first annual general meeting of the Company and the close of business on 26 January 2019 (save that the Company may before the expiry of such periods make offers or agreements which would or might require equity securities to be granted after expiry of these authorities and the Directors may allot equity securities or grant rights in pursuance of any such offer or agreement to subscribe for or convert any security into an Ordinary Share notwithstanding the authorities conferred have expired); and
- (c) conditional upon Admission and approval of the High Court of Justice of England and Wales (the "Court") the amount standing to the credit of the share premium account of the Company be reduced by £37,740,525.

For the purposes of paragraph 4.2.10 (b)(ii), a "pre-emptive offer" means an offer of equity securities to ordinary shareholders in proportion to their existing holdings but subject to such exclusions or other arrangements as the Directors may consider necessary or expedient in relation to treasury shares, fractional entitlements, record dates or legal, regulatory or practical problems in, or under the laws of, any territory.



- 4.2.11 By a resolution of the Board passed on 26 October 2017, it was resolved conditionally upon (but effective immediately prior to) Admission taking place prior to 30 November 2017, to allot the New Shares for cash at the Placing Price.
- 4.2.12 As at 26 October 2017 (the latest practicable date prior to the publication of this Document) the Preference Shareholders were as follows:

Preference Shareholder	Number of Preference Shares	Nominal value of Preference Shares
John Riches and John Wardle as trustees of The John Wardle 2016 Settlement .....	12,192,686	£12,192,686
Thomas Makin .....	2,169,104	£2,169,104
Amy Mason .....	2,169,105	£2,169,105
Clare Nesbitt .....	2,169,105	£2,169,105
	18,700,000	£18,700,000

**Note**

The Preference Shares held by John Riches and John Wardle as trustees of The John Wardle 2016 Settlement are divided into four separate sub funds, the beneficial interest of each of which is held as set out below:

Beneficiary	Number of Preference Shares	Nominal value of Preference Shares
David Makin .....	7,480,001	£7,480,001
Thomas Makin .....	1,570,895	£1,570,895
Amy Mason .....	1,570,895	£1,570,895
Clare Nesbitt .....	1,570,895	£1,570,895
	12,192,686	£12,192,686

- 4.3 As at the date of this Document, and immediately following Admission, the Company's issued share capital is, and will be, as follows

Existing			Immediately following Admission		
Nominal Value per Ordinary Share (£)	Number of Ordinary Shares (fully paid)	Number of Preference Shares (fully paid)	Nominal value per Ordinary Share (£)	Number of Ordinary Shares (fully paid)	Number of Preference Shares (fully paid)
£0.001	78,000,000	18,700,000	£0.001	104,474,390	18,700,000

The Preference Shares will be redeemed by the Company, in accordance with the Redemption Agreement, shortly after the Admission Date utilising part of the net proceeds of the Placing and the Subscription.

- 4.4 Save in connection with the Placing and the Subscription and as disclosed in paragraphs 4.5 to 4.8 below, no share or loan capital of any member of the Group is proposed to be issued or is under option or agreed, conditionally or unconditionally, to be put under option.
- 4.5 It is intended that on, or shortly after Admission, awards of options will be granted pursuant to the LTIP over Ordinary Shares with an aggregate market value (measured by reference to the Placing Price) of approximately £3,000,000. The exercise of these awards may be satisfied by the Company issuing and allotting new Ordinary Shares or by transferring Ordinary Shares held by the Company in treasury or by an employee benefit trust established by the Company, to the holder of such awards.
- 4.6 It is intended that, in or around March 2018, options will be granted pursuant to the CSOP over Ordinary Shares with an aggregate market value (measured by reference to the closing mid-market price of an Ordinary Share on the Dealing Day immediately prior to the date of grant) of approximately £95,000 and that at or around the same time further awards of options will be granted pursuant to the LTIP over Ordinary Shares with an aggregate market value (measured by reference to the closing mid-market price of an Ordinary Share on the Dealing Day immediately prior to the date of grant) of approximately £1,185,000. The exercise of these options and awards may be satisfied by the Company issuing and allotting new Ordinary Shares

or by transferring Ordinary Shares held by the Company in treasury or by an employee benefit trust established by the Company, to the holder of such awards.

- 4.7 The Company has agreed that a one-off award of options will be granted under the LTIP to Barry Bown in respect of Ordinary Shares with an aggregate market value (measured by reference to the closing mid-market price of an Ordinary Share on the Dealing Day immediately prior to the date of grant) of £2,000,000, subject to him commencing employment with the Company following the Admission Date, on or around 1 June 2018.
- 4.8 It is intended that the Company will issue invitations under the SAYE Scheme to all eligible employees on, or shortly after Admission. It is not possible to determine the aggregate market value of Ordinary Shares which may be made subject to options granted pursuant to such invitations, as this will depend on each individual's choice (within the statutory limits) as to whether to accept the invitation and what amount of monthly salary to save in order to purchase Ordinary Shares pursuant to an option granted under the SAYE Scheme.
- 4.9 The Ordinary Shares will, on Admission, rank *pari passu* in all respects and will rank in full for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of the Company.
- 4.10 The Ordinary Shares are in registered form and capable of being held in uncertified form. None of the Ordinary Shares are being marketed or made available in whole or in part to the public in conjunction with the applications for Admission other than pursuant to the Placing.
- 4.11 The New Shares to be issued pursuant to the Placing and the Subscription are being issued at a price of £1.64 per New Share, representing a premium of £1.639 over the nominal value of £0.001 each. The expected issue date is 2 November 2017.
- 4.12 The currency of the issue is Sterling.

## **5. Proposed Reduction of Capital**

The Company's current level of distributable reserves could restrict the Company's ability to pay future dividends. Therefore, the Company intends to undertake a court-approved capital reduction following Admission in accordance with the 2006 Act and the Companies (Reduction of Share Capital) Order 2008 (SI2008/1915) in order to provide it with additional distributable reserves. The proposed capital reduction will reduce the amount standing to the credit of the Company's share premium account by £37,740,525 following Admission. The capital reduction has been approved (conditional on Admission) by a resolution passed by the members of the Company on 26 October 2017 as detailed in paragraph 4.2.10(c) of this Part V and will be conditional upon both Admission and Court approval after the Admission Date.

## **6. The Articles of Association of the Company**

Set out below is a summary of certain material provisions of the Articles.

- 6.1 Following the re-registration of the Company on 26 October 2017, new articles of association of the Company were adopted pursuant to a written resolution passed by the members of the Company (as detailed at paragraph 4.2.9(b)) (the "Interim Articles"). The Interim Articles contain the same provisions as the Articles (detailed at paragraph 6.2 of this Part V), other than the inclusion of the rights attaching to the Preference Shares as set out below:

### **6.1.1 *Rights attaching to the Preference Shares***

The Company may redeem the Preference Shares at their nominal amount by notice to the holders of the Preference Shares to be redeemed one month prior to the proposed date of redemption. This notice will specify the proposed date, the number of Preference Shares to be redeemed, the total consideration to be given for those Preference Shares and will state the total number of Preference Shares that the holder of those Preference Shares will continue to hold after the proposed redemption.

Holders of the Preference Shares are not entitled to notice of or to vote at any general meeting of the Company.

6.2 The Articles (adopted conditional upon Redemption in substitution for, and to the exclusion of the Interim Articles) contain, *inter alia*, provisions to the following effect:

6.2.1 *Objects*

The Articles contain no specific restrictions on the Company's objects and therefore, by virtue of section 31(1) of the 2006 Act, the Company's objects are unrestricted.

6.2.2 *Voting rights*

Subject to any special terms as to voting upon which any shares may for the time being, be held, on a show of hands every member who (being an individual) is present in person or by proxy (being a corporation) is present by a duly appointed representative shall have one vote and on a poll every member present in person or by a representative or proxy shall have one vote for every ordinary share in the capital of the Company held by him. A proxy need not be a member of the Company.

6.2.3 *Variation of rights*

If at any time the capital of the Company is divided into different classes of shares all or any of the rights or privileges attached to any class of shares in the Company may be varied or abrogated with the consent in writing of the holders of three-fourths in nominal value of the issued shares (excluding any shares of that class held as treasury shares) of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. At every such separate general meeting (except an adjourned meeting), the quorum shall be two persons holding or representing by proxy one-third in nominal value of the issued shares of that class.

6.2.4 *Alteration of capital*

The Articles do not impose any conditions governing changes in the capital of the Company which are more stringent than required by law. The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of a larger nominal value, sub-divide all or any of its shares into shares of a smaller nominal value and cancel any shares not taken, or agreed to be taken, by any person.

The Company may, subject to the 2006 Act, by special resolution reduce or cancel its share capital or any capital redemption reserve or share premium account.

Subject to and in accordance with the provisions of the 2006 Act, the Company may purchase its own shares (including any redeemable shares), provided that the Company shall not purchase any of its shares unless such purchase has been sanctioned by a special resolution passed at a separate meeting of the holders of any class of shares convertible into equity share capital of the Company.

6.2.5 *Transfer of shares*

A member may transfer all or any of his shares (1) in the case of certificated shares by instrument in writing in any usual or common form or in such other form as may be approved by the Directors and (2) in the case of uncertificated shares, through CREST in accordance with and subject to the CREST Regulations and the facilities and requirements of the relevant system concerned. The instrument of transfer of a certificated share shall be executed by or on behalf of the transferor and, if the share is not fully paid, by or behalf of the transferee. The Directors may in their absolute discretion refuse to register a transfer of any share held in certificated form which is not fully paid, provided that dealings in the shares are not prevented from taking place on an open and proper basis. In the case of uncertificated shares, the Directors may only refuse to register a transfer in accordance with the Uncertificated Societies Regulations. The Directors may also refuse to register a transfer of shares (whether fully paid or not) if the transfer is in favour of more than four persons jointly. Subject to that and to paragraph 6.2.7 below, the Articles contain no restrictions on the free transferability of fully paid shares provided that the transfer is in respect of only one class of share and is accompanied by the share certificate and any other evidence of title required by the

Directors and that the provisions in the Articles relating to the deposit of instruments for transfer have been complied with. The registration of transfers in respect of certificated shares may be suspended by the Directors for any period not exceeding 30 days in a year.

#### 6.2.6 *Dividends*

The Company may by ordinary resolution in general meeting declare dividends provided that no dividend shall be paid otherwise than out of profits and no dividend shall exceed the amount recommended by the Directors. The Directors may from time to time pay such interim dividends as appear to the Directors to be justified.

Subject to the rights of persons, if any, holding shares with special dividend rights, and subject to paragraph 6.2.7 below, all dividends shall be apportioned and paid pro rata according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid or credited as paid in advance of calls shall be regarded as paid on shares for this purpose.

All dividends unclaimed for a period of 12 years after the payment date for such dividend shall if the Directors so resolve be forfeited and shall revert to the Company.

The Directors may, if authorised by an ordinary resolution of the Company, offer the holders of shares the right to elect to receive additional shares, credited as fully paid, instead of cash in respect of any dividend or any part of any dividend. The Directors may at their discretion make the right to participate in any such elections subject to restrictions necessary or expedient to deal with legal, regulatory or other difficulties in respect of overseas shareholders.

#### 6.2.7 *Suspension of rights*

If a member or any other person appearing to be interested in shares held by such shareholder has been duly served with notice under section 793 of the 2006 Act and is in default in supplying to the Company within 14 days (or such longer period as may be specified in such notice) the information thereby, required, then (if the Directors so resolve) such member shall not be entitled to vote or to exercise any right conferred by membership in relation to meetings of the Company in respect of the shares which are the subject of such notice. Where the holding represents more than 0.25 per cent. of the issued shares of that class (calculated exclusive of any treasury shares of that class) the payment of dividends may be withheld, and such member shall not be entitled to transfer such shares otherwise than by an arm's length sale.

#### 6.2.8 *Return of capital*

Subject to any preferred, deferred or other special rights, or subject to such conditions or restrictions to which any shares in the capital of the Company may be issued, on a winding-up or other return of capital, the holders of ordinary shares are entitled to share in any surplus assets pro rata to the amount paid up on their ordinary shares. A liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the 2006 Act, divide amongst the members in specie or in kind the whole or any part of the assets of the Company, those assets to be set at such value as he deems fair. A liquidator with the sanction of a special resolution may also vest the whole or any part of the assets of the Company in trustees on trusts for the benefit of the members.

#### 6.2.9 *Pre-emption rights*

There are no rights of pre-emption under the Articles in respect of transfers of issued Ordinary Shares.

In certain circumstances, the Company's shareholders may have statutory pre-emption rights under the 2006 Act in respect of the allotment of new shares in the Company. These statutory pre-emption rights would require the Company to offer new shares for allotment by existing shareholders on a pro rata basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such shares would be offered to the Company's shareholders.

#### 6.2.10 *Shareholder meetings*

Annual general meetings should be held within the periods specified by the 2006 Act. Other general meetings may be called whenever the directors think fit or when one has been requisitioned in accordance with the 2006 Act. Two members present in person or by proxy (or, being a corporation, present by a duly appointed representative) at the meeting and entitled to vote shall be a quorum for all purposes.

Annual general meetings or a meeting at which it is proposed to pass a resolution requiring special notice are called on at least 21 days notice in writing, exclusive of the day of which the notice is served or deemed to be served and of the day on which the meeting is to be held. Other general meetings are to be called on 14 days notice in writing exclusive of the day on which the notice is served or deemed to be served and the day on which the meeting is to be held. The annual general meeting may be called on shorter notice providing all members entitled to attend and vote agree and a general meeting can be called on shorter notice if a majority in number of the members having a right to attend and vote at the general meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right, consent. Notice is to be given to all members on the register at the close of business on a day determined by the Company, such day being not more than 21 days before the day that the notice of meeting is sent.

#### 6.2.11 *Directors*

Save as provided in the Articles or by the terms of any authorisation given by the Directors, a director shall not vote as a director in respect of any contract, transaction or arrangement or proposed contract, transaction or arrangement or any other proposal whatsoever in which he (or any person connected with him) has any interest (otherwise than by virtue of an interest in shares or debentures or other securities of or otherwise in or through the Company) and which conflicts or may conflict with the interests of the Company and if he shall do so his vote shall not be counted, nor in relation thereto shall he be counted in the quorum present at the meeting.

The Directors may authorise a director to be involved in a situation in which the director has or may have a direct or indirect interest which conflicts or may conflict with the interests of the Company and may impose such terms or conditions on the grant of such authorisation as they think fit and in doing so will act in such a way, in good faith, as they consider will be most likely to promote the success of the Company.

A director shall (in the absence of some other interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution relating to any of the following matters namely:

- (a) the giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings; or
- (b) the giving of any security, guarantee or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which the director himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security; or
- (c) the granting of any indemnity or provision of funding pursuant to the Articles unless the terms of such arrangement confer upon such director a benefit not generally available to any other director; or
- (d) an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in which offer he is or is to be or may be entitled to participate as a holder of securities or as an underwriter or sub-underwriter; or
- (e) any other company in which he or any person connected with him has a direct or indirect interest, (whether as an officer or shareholder or otherwise) provided that he and any persons connected with him are not to his knowledge the holder

(otherwise than as a nominee for the Company or any of its subsidiary undertakings) of or beneficially interested in one per cent., or more of any class of the equity share capital of such company (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant company (any such interest being deemed for the purpose of the relevant Article to be a material interest in all circumstances); or

- (f) an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom the arrangement relates; or
- (g) the purchase and/or maintenance of any insurance policy for the benefit of directors or for the benefit of persons including directors.

Fees may be paid out of the funds of the Company to directors who are not managing or executive directors at such rates as the Directors may from time to time determine provided that such fees do not in the aggregate exceed the sum of £150,000 per annum (exclusive of value added tax if applicable) or such other figure as the Company may by ordinary resolution from time to time determine.

Any director who devotes special attention to the business of the Company, or otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a director, may be paid such additional remuneration as the Directors or any committee authorised by the Directors may determine.

The Directors (including alternate Directors) are entitled to be paid out of the funds of the Company all their travelling, hotel and other expenses properly incurred by them in connection with the business of the Company, including their expenses of travelling to and from meetings of the Directors, committee meetings or general meetings.

A director may hold any other office or employment with the Company (other than the office of auditor) in conjunction with his office of director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine. No director or intending director shall be disqualified by his office from entering into any contract, arrangement, transaction or proposal with the Company either with regard to his tenure of any other such office or place of profit, nor shall any such contract, arrangement, transaction or proposal or any contract, arrangement, transaction or proposal entered into by or on behalf of the Company in which any director or any person connected with him is in any way interested (whether directly or indirectly) be liable to be avoided, nor shall any director who enters into any such contract, arrangement, transaction or proposal or who is so interested be liable to account to the Company for any profit realised from any such contract, arrangement, transaction or proposal by reason of such director holding that office or of the fiduciary relationship thereby established, if the director has disclosed his interest in accordance with the 2006 Act.

Save as provided by the Articles or by the terms of authorisation given by the Directors, a director shall not vote as a director or be counted in the quorum in respect of any contract, transaction or arrangement or proposed contract, transaction or arrangement in which he has any interest which conflicts or may conflict with the interests of the Company. If he does vote, his vote shall not be counted.

The remuneration and other terms and conditions of appointment of a director appointed as managing director or to any other executive office or employment under the Company shall from time to time (without prejudice to the provisions of any agreement between him and the Company) be fixed by the Directors or by any committee appointed by the directors, and may (without limitation) be by way of fixed salary, lump sum, commission on the dividends or profits of the Company (or of any other company in which the Company is interested) or other participation in any such profits or otherwise or by any or all or partly by one and partly by another or others of those modes.

#### 6.2.12 *Borrowing powers*

The Directors may exercise of the powers of the Company to borrow money, mortgage or charge all or parts of its undertaking, property and uncalled capital of the Company.

6.2.13 There is nothing contained in the Articles which would have an effect of delaying, deferring or preventing a change of control of the Company.

6.2.14 There is nothing contained in the Articles which governs the ownership threshold above which member ownership must be disclosed.

6.2.15 There are no conversion rights attached to any of the shares in the Company pursuant to the Articles or otherwise.

### **7. Mandatory bids, squeeze out and sell out rules**

#### **7.1 *Mandatory bids***

The Takeover Code applies to the Company for so long as its Ordinary Shares remain admitted to trading on AIM and for a period of 10 years following the cancellation of such admission. Rule 9 of the Takeover Code provides that, except with the consent of the Takeover Panel, when: (a) any person acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares in which persons acting in concert with it are interested) carry 30 per cent. or more of the voting rights of a company; or (b) any person, together with persons acting in concert with it, is interested in shares which in the aggregate carry not less than 30 per cent. of the voting rights of a company but does not hold shares carrying more than 50 per cent. of such voting rights and such person, or any person acting in concert with it, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which it is interested, then, in either case, that person, together with the persons acting in concert with it, is normally required to extend offers in cash, at the highest price paid by it (or any persons acting in concert with it) for shares in a company within the preceding 12 months, to the holders of any class of equity share capital whether voting or non-voting and also to the holders of any other class of transferable securities carrying voting rights.

#### **7.2 *Squeeze-out***

Under the 2006 Act, if a “takeover offer” (as defined in section 974 of the 2006 Act) is made for the shares and the offeror were to acquire, or unconditionally contract to acquire, not less than 90 per cent. in value of the shares to which the takeover offer relates (the “Takeover Offer Shares”) and not less than 90 per cent. of the voting rights attached to the Takeover Offer Shares within three months of the last day on which its offer can be accepted, it is able to acquire compulsorily the remaining 10 per cent. In order to do so, it would send a notice to Shareholders who had not, at such time, accepted the offer telling them that it will acquire compulsorily their Takeover Offer Shares and then, six weeks later, it would execute a transfer of the outstanding Takeover Offer Shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for those shareholders in the event that they had not accepted the offer at such time. The consideration offered to the shareholders whose Takeover Offer Shares are acquired compulsorily under the 2006 Act must, in general, be the same as the consideration that was available under the takeover offer.

#### **7.3 *Sell-out***

The 2006 Act also gives minority shareholders 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 and at any time before the end of the period within which the offer could be accepted the offeror held, or had agreed to acquire, not less than 90 per cent. of the shares to which the offer related, 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 is required to give any shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of the minority shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a shareholder exercises his or her rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

## 7.4 The Relationship Agreement

Under the Relationship Agreement, prior to acquiring an interest in any Ordinary Shares other than pursuant to a Share Incentive Plan, or any similar employee share scheme, each of the Existing Shareholders have undertaken to consult with, *inter alios*, the Panel, if applicable. Furthermore, each of the Existing Shareholders has undertaken to not acquire an interest in any Ordinary Shares (when aggregated with his or her interests, those of other Existing Shareholders and their connected person) that would represent more than 63.03 per cent. of the ordinary issued share capital of the Company unless with prior consent of a majority of the independent Non-Executive Directors, or immediately prior to the announcement of a firm intention to make an offer for the entire issued share capital in the Company in accordance with the Takeover Code.

Further details of the Relationship Agreement are contained in paragraph 14.4 of this Part V.

## 8. Directors' and Other Interests

8.1 The names of the Directors and the Proposed Director are set out on pages 24 and 25 of this Document.

8.2 The interests of the Directors and the Proposed Director and any person connected with a Director and the Proposed Director (within the meaning of section 252 to 254 of the 2006 Act) (all of which are beneficial unless otherwise stated) in the issued share capital of the Company were as at 26 October 2017 (being the latest practicable date prior to the publication of this Document), and are expected to be immediately following Admission, to the extent that their existence is known to, or could with reasonable diligence be ascertained by, a Director or Proposed Director, as follows:

Director/Proposed Director	As at 26 October 2017				Immediately following Admission			
	Number of Ordinary Shares	Percentage of issued Ordinary Shares	Number of Preference Shares	Percentage of issued Preference Shares	Number of Ordinary Shares	Percentage of issued Ordinary Shares	Number of Preference Shares	Percentage of issued Preference Shares
John Wardle	5,070,000	6.5%	–	–	–	–	–	–
Clare Nesbitt	7,800,000	10.0%	2,169,105	11.6%	7,800,000	7.5%	2,169,105	11.6%
Danielle Davies	–	–	–	–	–	–	–	–
Stephen Robertson	–	–	–	–	–	–	–	–
Brendan Hynes	–	–	–	–	–	–	–	–
John Wardle and John Riches in their capacity as trustees of The John Wardle 2016 Settlement	44,460,000	57.0%	12,192,686	65.2%	36,148,866	34.6%	12,192,686	65.2%
Barry Bown	–	–	–	–	–	–	–	–

### Notes

1. The Ordinary Shares and the Preference Shares held by John Wardle and John Riches in their capacity as trustees of The John Wardle 2016 Settlement are divided into separate sub funds, the beneficial interest of each of which is held as follows:

Beneficiary	As at 26 October 2017				Immediately following Admission			
	Number of Ordinary Shares	Percentage of issued Ordinary Shares	Number of Preference Shares	Percentage of issued Preference Shares	Number of Ordinary Shares	Percentage of issued Ordinary Shares	Number of Preference Shares	Percentage of issued Preference Shares
David Makin	–	–	7,480,001	40.0%	–	–	7,480,001	40.0%
Thomas Makin	14,820,000	19.0%	1,570,895	8.4%	12,259,176	11.7%	1,570,895	8.4%
Amy Mason	14,820,000	19.0%	1,570,895	8.4%	10,169,690	9.7%	1,570,895	8.4%
Clare Nesbitt	14,820,000	19.0%	1,570,895	8.4%	13,720,000	13.1%	1,570,895	8.4%
	44,460,000	57.0%	12,192,686	65.2%	36,148,866	34.6%	12,192,686	65.2%

2. David Makin is the father of Thomas Makin, Amy Mason and Clare Nesbitt.

3. In addition to the above interests, David Makin, Thomas Makin and Amy Mason are interested in the issued share capital of the Company as follows:

Shareholder	As at 26 October 2017				Immediately following Admission			
	Number of Ordinary Shares	Percentage of issued Ordinary Shares	Number of Preference Shares	Percentage of issued Preference Shares	Number of Ordinary Shares	Percentage of issued Ordinary Shares	Number of Preference Shares	Percentage of issued Preference Shares
David Makin	5,070,000	6.5%	–	–	6,270,000	6.0%	–	–
Thomas Makin	7,800,000	10.0%	2,169,104	11.6%	7,800,000	7.5%	2,169,104	11.6%
Amy Mason	7,800,000	10.0%	2,169,105	11.6%	7,800,000	7.5%	2,169,105	11.6%



- 8.3 It is intended that the following award, structured as an option over Ordinary Shares, will be granted to the Director identified in the table below on, or shortly after, Admission pursuant to the LTIP. The award will have an exercise price per Ordinary Share equal to its nominal value;

<u>Name</u>	<u>Number of Ordinary Shares to be placed under award</u>	<u>Earliest Vesting Date</u>
Danielle Davies . . . . .	609,756	Third anniversary of the date of grant

- 8.4 Save as set out in paragraphs 8.2 and 8.3 above, as at the date of this Document and immediately following Admission, no Director will, and no person connected with a Director has, or is expected to have, any interest in the share capital or loan capital of the Company or of any of its subsidiaries or any options over the Ordinary Shares.

- 8.5 In addition to those disclosed at paragraph 8.2 above, as at 26 October 2017 (being the latest practicable date prior to publication of this Document) insofar as is known to the Company, no person or persons, other than as set out below, are or will, immediately following Admission, have an interest, directly or indirectly, in three per cent. or more of the share capital or voting rights of the Company:

<u>Name</u>	<u>As at 26 October 2017</u>		<u>Immediately following Admission</u>	
	<u>Number of Ordinary Shares</u>	<u>Percentage of issued Ordinary Shares</u>	<u>Number of Ordinary Shares</u>	<u>Percentage of issued Ordinary Shares</u>
Old Mutual Global Investors (UK) LTD . . . .	–	–	9,451,220	9.1%
Hargreave Hale, LTD . . . .	–	–	7,926,830	7.6%
Janus Henderson Investors	–	–	3,658,537	3.5%

- 8.6 The voting rights of the persons listed in paragraph 8.5 above do not differ from the voting rights of other Shareholders.

- 8.7 As at 26 October 2017 (being the latest practicable date prior to publication of this Document) save as disclosed in this paragraph 8, the Company is not aware of any person or persons who, directly or indirectly, owns or controls the Company.

- 8.8 So far as the Directors are aware, there are no arrangements in place which could, at a later date, result in a change of control of the Company.

- 8.9 No Director or member of a Director's family has any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of the Ordinary Shares.

- 8.10 The Company understands that, pursuant to the relevant definition contained within the Takeover Code, the Panel deems the Existing Shareholders to be acting in concert (the 'Concert Party') for the purposes of the Takeover Code. The interests of the Concert Party in Ordinary Shares immediately following Admission will be as follows:

<u>Name</u>	<u>Number of Ordinary Shares</u>	<u>Percentage of issued Ordinary Shares</u>
David Makin . . . . .	6,270,000	6.0%
Thomas Makin . . . . .	7,800,000	7.5%
Amy Mason . . . . .	7,800,000	7.5%
Clare Nesbitt . . . . .	7,800,000	7.5%
John Wardle . . . . .	–	–
John Wardle and John Riches in their capacity as trustees of The John Wardle 2016 Settlement . . . . .	36,148,866	34.6%
	<u>65,818,866</u>	<u>63.0%</u>

Immediately following Admission, the Concert Party will be interested, in aggregate, in 65,818,866 Ordinary Shares representing approximately 63.0 per cent. of the Enlarged Share Capital.

On the basis that a maximum of 27,438 Ordinary Shares are issued to members of the Concert Party pursuant to options awarded under the SAYE Scheme on or around 30 November 2017 to members of the Concert Party and assuming no other Ordinary Shares had been issued, the aggregate holding of the Concert Party will be 65,846,304 Ordinary Shares representing approximately 63.0 per cent. of the Enlarged Share Capital.

## 9. Additional Information on the Directors and the Proposed Director

9.1 Other than their directorships of the Company and members of its Group, directorships and partnerships currently held by the Directors and the Proposed Director and held over the five years preceding the date of this Document are as follows:

<u>Director</u>	<u>Current directorships/partnerships</u>	<u>Past directorships/partnerships</u>
John Wardle . . . . .	–	–
Clare Nesbitt . . . . .	–	–
Danielle Davies . . . . .	–	–
Stephen Robertson . . . . .	Sofology Limited Clipper Logistics plc Hargreaves Lansdown plc Timpson Group PLC Timpson Limited Johnson Cleaners UK Limited Trinity Residents Management Limited	GWE Business West Ltd British Retail Consortium BRC Trading Limited British Retailers Association The National Retail Trading Council West of England Local Enterprise Partnership Limited
Brendan Hynes . . . . .	Swallowfield PLC Churchill China PLC Greatglen Limited	Walk the Plank Nichols Plc Miniurban Limited Dayla Liquid Packing Limited
<u>Proposed Director</u>	<u>Current directorships/partnerships</u>	<u>Past directorships/partnerships</u>
Barry Bown . . . . .	First Retail UK Limited BCB Retail Consultancy Limited	Topgrade Trading Limited R.D. Scott Limited JD Sports Limited Peter Werth Limited Allsports.co.uk Limited Jog Shop Limited First Shop Limited JD Sports Fashion Plc JD Sports Fashion Distribution Limited Mainline Menswear Holdings Limited Mainline Menswear Limited Dapper (Scarborough) Limited Oswald Bailey Limited George Fisher Limited Alpine Group (Scotland) Limited Millet Sports Limited Ark Fashion Limited Planet Fear Limited Size? Limited Activinstinct Ltd Sundown Limited The Alpine Store Limited JD Sports Gym Limited George Fisher Holdings Limited Graham Tiso Limited Alpine Bikes Limited Activinstinct Holdings Limited The Alpine Group Limited

<u>Proposed Director</u>	<u>Current directorships/partnerships</u>	<u>Past directorships/partnerships</u>
Barry Bown (continued)		Fly53 Limited Henleys Clothing Limited Onetruesaxon Limited Peter Storm Limited Tessuti Retail Limited Focus Equipment Limited Tessuti Ltd Premium Fashion Limited Prima Designer Limited Focus Sports and Leisure International Limited Source Lab Limited Focus Group Holdings Limited Focus Brands Limited Blue Retail Ltd Tessuti Group Limited Focus International Limited Blacks Outdoor Retail Limited Kukri GB Limited Kukri Sports Ltd. Marathon Sports Limited Athleisure Limited Duffer of St George Limited Pink Soda Limited Bank Fashion Limited Topgrade Sportswear Holdings Limited Varsity Kit Limited The John David Group Limited Topgrade Sportswear Limited Allsports (Retail) Limited Get the label.com Limited Sonneti Fashions Limited Nanny State Limited Tiso Group Limited Open Fashion Limited

9.2 None of the Directors or the Proposed Director has, at the date of this Document:

- 9.2.1 any unspent convictions in relation to indictable offences;
- 9.2.2 had a bankruptcy order made against him or her or made an individual voluntary arrangement;
- 9.2.3 been a director of a company which has been placed in receivership, compulsory liquidation, creditors voluntary arrangement or made any composition or arrangement with its creditors generally or of any class of its creditors whilst he or she was a director of that company or within 12 months after he or she ceased to be a director of that company;
- 9.2.4 been a partner in a partnership which has been placed in compulsory liquidation, administration or made a partnership voluntary arrangement whilst he or she was a partner in that partnership or within 12 months after he or she ceased to be a partner in that partnership;
- 9.2.5 had any asset placed in receivership or any asset of a partnership in which he or she was a partner placed in receivership whilst he or she was a partner in that partnership or within 12 months after he or she ceased to be a partner in that partnership; or

- 9.2.6 been publicly criticised by any statutory or regulatory authority (including recognised professional bodies) or disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

## **10. Directors' and Proposed Director Service Agreements and Letters of Appointment**

- 10.1 The Directors and the Proposed Director have entered into service agreements or letters of appointment with the Group as follows:

- 10.1.1 On 11 October 2017, John Wardle entered into a service agreement with the Company to act as Executive Chairman. John is entitled to receive an annual salary of £50,000. The agreement will terminate automatically on or around 1 June 2018 (upon the appointment of Barry Bown as Executive Chairman) unless terminated early by either party giving to the other three months' prior written notice. John receives 25 days' holiday (plus the usual public holidays) as accrued per annum. John is entitled to participate in the Company's registered pension scheme. As part of the service agreement John has agreed to confidentiality obligations and to three months non-competition and non-solicitation post termination restrictive covenants.
- 10.1.2 On 11 October 2017, Clare Nesbitt entered into a service agreement with the Company to act as Chief Executive Officer. Clare is entitled to receive an annual salary of £200,000 plus a discretionary annual bonus determined by the Remuneration Committee of up to 100 per cent. of annual salary. The agreement can be terminated by either party giving to the other 12 months' prior written notice. Clare is also entitled to participate in the Company's private medical insurance scheme (such cover is also extended to her spouse and children) and also receives 25 days' holiday (plus the usual public holidays). Clare receives pension contributions from the Company which equal five per cent. of annual salary and a car allowance of £11,000 per annum. In addition, Clare's benefits includes life assurance of three times basic salary. As part of the service agreement Clare has agreed to confidentiality obligations and to 12 months non-competition, non-solicitation and non-dealing post termination restrictive covenants.
- 10.1.3 On 11 October 2017, Danielle Davies entered into a service agreement with the Company to act as Chief Financial Officer. Danielle is entitled to receive an annual salary of £170,000 plus a discretionary annual bonus determined by the Remuneration Committee of up to 100 per cent. of annual salary. The agreement can be terminated by either party giving to the other 12 months' prior written notice. Danielle is also entitled to participate in the Company's medical insurance scheme and also receives 33 days' holiday (including public holidays). Danielle receives pension contributions from the Company which equal five per cent. of annual salary and a car allowance of £11,000 per annum. In addition, Danielle's benefits include life assurance of three times basic salary. As part of the service agreement Danielle has agreed to confidentiality obligations and to 12 months non-competition, non-solicitation and non-dealing post termination restrictive covenants. On Admission, Danielle will be entitled to a special bonus of at least 50 per cent. of annual salary (such amount to be determined at the discretion of the Remuneration Committee).
- 10.1.4 On 26 October 2017, Stephen Robertson entered into a letter of appointment with the Company. The appointment is for an initial term of three years, unless terminated by either party giving to the other six months' prior written notice. The fee for his services as a Non-Executive Director is £40,000 per annum. As part of his appointment Stephen has agreed to certain confidentiality obligations.
- 10.1.5 On 26 October 2017, Brendan Hynes entered into a letter of appointment with the Company. The appointment is for an initial term of three years, unless terminated by either party giving to the other six months' prior written notice. The fee for his services as a Non-Executive Director is £40,000 per annum. As part of his appointment Brendan has agreed to certain confidentiality obligations.
- 10.1.6 On 18 August 2017 Barry Bown entered into a contract of employment with the Company to act as Executive Chairman to commence on 1 June 2018. Barry Bown is entitled to receive an annual salary of £225,000 plus a discretionary annual bonus

determined by the Remuneration Committee plus discretionary private medical cover, life assurance equating to three times annual salary and a car allowance of £11,000 per annum. Barry Bown will also be invited to join the Company's pension scheme (and receive contributions of up to 10 per cent. of gross monthly salary) and is entitled to receive 30 days' holiday (plus the usual public holidays). He will be invited to participate in the LTIP and any award will be as determined by the Remuneration Committee.

The agreement can be terminated by either party giving to the other twelve months' prior written notice. Barry has also agreed to confidentiality obligations and to twelve months non-competition, non-solicitation and non-dealing post termination restrictive covenants.

The Company intends to grant to Barry Bown a one-off LTIP award (the "Special Award") subject to him becoming an employee on or around 1 June 2018. Accordingly, subject to the approval of the Remuneration Committee, the Ordinary Shares having been admitted to, and trading on, AIM and Barry becoming an employee on or around 1 June 2018, Barry will be granted the Special Award over such number of Ordinary Shares (calculated by reference to the closing mid-market price of an Ordinary Share on the Dealing Day immediately prior to the grant) which will have an aggregate market value of £2 million. The Special Award will vest three years after the date of grant. The Special Award will not be subject to any performance targets but will normally lapse if Barry ceases to be an employee of the Company. The Special Award will be granted under the LTIP and will be subject to its terms and conditions. A summary of the principal terms of the LTIP is set out in paragraph 13 of this Part V.

10.2 Save as set out in paragraph 10.1 above, there are no existing or proposed service agreements between any of the Directors or Proposed Director and any member of the Group.

10.3 Other than payment of salary and benefits in lieu of notice the Directors' and the Proposed Director's service agreements and/or letters of appointment (as applicable) do not provide for benefits upon termination of employment.

## 11. Related Party Transactions

Save as disclosed in paragraph 14.9 of this Part V and note 21 of the historical financial information set out in Section B of Part III of this Document, there are no related party transactions that were entered into by the Group during the three financial years ended 25 February 2017, or during the period from 25 February 2017 to the date of this Document.

## 12. The Footasylum plc Cash Based Long Term Incentive Plan ("Cash LTIP")

The Company adopted the Cash LTIP in 2016. The principal features of the Cash LTIP are summarised below:

### **Status of the Cash LTIP**

Awards were made under the Cash LTIP on 8 June 2016.

The existing awards granted under the Cash LTIP as at the date of this Document are as follows:

<u>Name of Award Holder</u>	<u>Face Value of the Award</u>	<u>Normal Vesting Date</u>
Clare Nesbitt . . . . .	£75,000	28 February 2018
Thomas Makin . . . . .	£75,000	28 February 2018
Jack Spellacy . . . . .	£75,000	28 February 2018
Matthew Parrish . . . . .	£75,000	28 February 2018
Christopher Rowan . . . . .	£75,000	28 February 2018
Dale Thorpe . . . . .	£60,000	28 February 2018

**The Company does not intend to grant any further awards under the Cash LTIP on or after the date of this Document.**

### **Structure of the Award**

Each award granted under the Cash LTIP takes the form of a conditional right to receive a cash payment, not exceeding the Face Value of the award, subject to and on the terms of, the rules of the

Cash LTIP. The grant of an award under the Cash LTIP does not entitle the holder of the award to acquire any Ordinary Shares.

The awards have no beneficial tax status. The terms that apply to the existing awards are set out below.

### ***Performance Targets***

Each existing award is subject to the following performance targets to be measured over a two year performance period consisting of the two financial years ending 25 February 2017 and 24 February 2018 (“Performance Period”):

- 70 per cent. of the Face Value of an award is subject to the EBITDA target described below (“EBITDA Target”); and
- the remainder of the Face Value of an award is subject to the new store profit contribution target described below (“New Store Profit Contribution Target”).

#### ***EBITDA Target***

If the EBITDA Margin measured over the Performance Period is not more than five per cent., then the award will not vest in respect of any of the Face Value of the award subject to the EBITDA Target.

If the EBITDA Margin measured over the Performance Period is exactly equal to five per cent. (“Base Target”) then the award will vest in respect of 25 per cent. of the Face Value of the award subject to the EBITDA Target.

If the EBITDA Margin measured over the Performance Period is equal to or greater than 10 per cent. (“Stretch Target”) then the award will vest in respect of 100 per cent. of the Face Value of the award subject to the EBITDA Target.

If the EBITDA Margin measured over the Performance Period, falls between the Base Target and the Stretch Target, then the award will vest as to such percentage falling between 25 per cent. and 100 per cent. of the Face Value subject to the EBITDA Target as determined on a straight line basis.

For these purposes EBITDA Margin will be the percentage “A” derived from the following formula:

$$A = (B \div C) \times 100 \text{ per cent.}$$

where

“B” = the EBITDA for the Company (as reported in its consolidated audited accounts) in respect of the final financial year in the Performance Period; and

“C” = the total revenue (net of VAT) of the Company (as reported in its consolidated audited accounts) in respect of the final financial year in the Performance Period.

#### ***New Store Profit Contribution Target***

If less than 75 per cent. of New Stores (rounded down to the nearest whole number) have each separately contributed less than the Minimum Profit Contribution in respect of each Relevant Financial Year in the Performance Period, then the award will not vest in respect of any of the Face Value of the award subject to the New Store Profit Contribution Target.

If 75 per cent. of New Stores (rounded down to the nearest whole number) or more have each separately contributed an amount equal to or greater than the Minimum Profit Contribution in respect of each Relevant Financial Year in the Performance Period, then the award will vest in respect of all of the Face Value of the award subject to the New Store Profit Contribution Target.

For these purposes:

- a New Store will be any store which has completed its first full financial year of trading during the Performance Period;
- the Minimum Profit Contribution for a New Store in respect of a Relevant Financial Year is profit equal to 10 per cent. of that New Store’s net sales;

- a Relevant Financial Year in respect of a New Store is any complete financial year in the Performance Period for which that New Store has been undertaking business.

#### *Performance Underpin*

Irrespective of the extent to which the EBITDA Target and the New Store Profit Contribution Target are met, an award will not vest to any extent at all unless:

- the Company has achieved positive like for like sales in each financial year of the Performance Period; and
- the net profit before tax for the Company (as determined from its consolidated audited accounts) in respect of each financial year in the Performance Period exceeds nil.

For these purposes positive like for like sales in a financial year will be achieved if all of the Company's stores which have been open for more than one financial year generate more gross profit for the Financial Year in question than in the preceding financial year measured on an accumulative basis.

#### **Amendment of Performance Targets**

If any event occurs during the Performance Period which causes the Board reasonably to consider that the performance condition should be waived or that a different or amended performance condition would be a fairer measure of performance, the Board may, acting fairly and reasonably, waive or amend the performance condition in such manner as it deems fit provided that any such amended condition is not materially more challenging to achieve than the original performance condition would have been but for the event or events in question.

#### **Vesting of Awards**

As soon as reasonably practicable following the end of the Performance Period relating to an award, the Board shall determine the extent to which the performance conditions summarised above have been met and as a result the proportion of the Face Value of the award ("Determined Sum") potentially payable to the award holder.

On or shortly after the Vesting Date specified in respect of an award, the award holder will normally become entitled to be paid an amount equal to the Determined Sum. However the right to receive such payment is subject to the provisions described below in relation to cessation of employment/directorship, bankruptcy and corporate events.

#### **Cessation of Employment/Directorship**

In the event that an award holder (who is an employee) ceases to be an employee within the Group at any time prior to the Vesting Date of the award, his award will lapse immediately on such cessation of employment (and the employee will forfeit his entitlement to receive any payment pursuant to the award that has lapsed) unless the employee is a "Good Leaver".

For these purposes an award holder will be a Good Leaver if he ceases to be employed by reason of:

- death, injury, illness or disability (evidenced to the satisfaction of the Board); or
- any other circumstance which the Board determines should amount to a good leaver reason.

If the award holder is a Good Leaver, the Board will have the discretion to decide as to whether or not the award holder may retain his award post cessation of employment.

If the Board determines, in its sole discretion, that award holder may retain his award, it will also have a discretion as to whether:

- the award holder concerned will retain his award until the normal Vesting Date and receive a payment pursuant to it, to the extent that the performance conditions applying to the award are met; or
- the award holder concerned will receive a payment in settlement of his award immediately following cessation of employment.

In the case of any payment to be made in settlement of an award immediately following cessation of employment of the award holder, the Board will determine the amount of any such payment and such payment shall satisfy in full all rights and entitlements of the award holder in respect of the award in question.

In the case of any award which is retained post cessation of employment of the award holder until the normal Vesting Date, the Determined Sum in respect of such award will be pro-rated (unless the Board decides otherwise, pursuant to its discretion as described below).

The pro-rating will be undertaken by multiplying the Determined Sum relating to the award in question by such fraction A/B, where:

“A” = the number of days elapsing from the date of grant of the award to the date of cessation of employment; and

“B” = the number of days elapsing from the date of grant of the award to the Vesting Date of the award.

The Board shall retain a discretion as to whether to apply the pro-rating described above or to pro-rate on some other basis or not at all.

If the Board determines, in its sole discretion, that the award holder cannot retain his award post cessation of employment, the award will lapse immediately on cessation of employment.

In the event that an award holder who is a director (but not an employee) ceases to be a director, the provisions that apply to award held by a departing employee as described above will apply equally to the director concerned in relation to any award held by such director at the termination of his office.

### ***Bankruptcy and Corporate Insolvency***

In the event that a bankruptcy order is made in respect of the award holder or the winding-up of the Company is commenced (other than a voluntary winding-up commenced in connection with the restructuring or change of control of the Company or its amalgamation with another entity), the award holder's award and his entitlement to receive any cash payment pursuant to the award shall terminate immediately.

### ***Corporate Events***

In the event that:

- there is a change of control of the Company (other than by way of an internal re-organisation such as the insertion of a new holding company);
- a court sanctions a scheme of arrangement for its reconstruction or amalgamation with another company;
- a resolution is passed for the voluntary winding up of the Company;
- there is a flotation of the Company on a recognised stock exchange (including AIM); or
- any other event occurs which the Board determines is an “exit event”;

then all awards may (at the sole discretion of the Board) become payable immediately to the extent that the performance conditions applying to the awards have been met at the time of the relevant event.

If the Performance Period has not elapsed as at the date of the relevant corporate event, the performance conditions applying to the awards will, (unless waived), be assessed on such reasonable basis as the Board determines over the abbreviated period from the date of grant to the event in question.

The payment made pursuant to any award in these circumstances will be subject to a similar time based pro-rating adjustment as described above in relation to a Good Leaver unless the Board exercises its discretion not to apply that time based pro-rating at all or to pro-rate on some other basis.

In the event that the Board does not exercise its discretion to allow awards to become payable immediately following the occurrence of any of the corporate events described above, the awards shall remain in situ and continue to be governed by the rules of the Cash LTIP.



### **Administration and Amendment**

The Cash LTIP will be administered by the Board and all decisions of the Board in any dispute or question concerning the construction of the Cash LTIP will be final and binding on the award holders.

The Board shall have the power to amend the rules of the Cash LTIP in such manner as it deems fit. However, other than adjustment to the performance targets which are dealt with above, the Board may only amend the rules of the Cash LTIP in any way which may materially adversely affect existing award holders with the consent of a majority of the existing award holders to the amendment in question, save that no such majority consent shall be required in order to amend any term of the Cash LTIP to take account of a change in legislation, or to obtain or maintain favourable tax, exchange control or regulatory treatment for any award holder, the Company or any member of the Group.

### **Termination**

No awards may be granted under the Cash LTIP after the tenth anniversary of its adoption by the Board. The Board will have the power to terminate the Cash LTIP at any time but such termination shall not affect the rights under awards granted prior to the date of termination.

### **Payment Obligation**

The Company will be the entity that is liable to make, or procure the making of, all payments to award holders under the Cash LTIP.

## **13. Share Incentive Plans**

The Company intends to operate three new share incentive plans, the Footasylum plc Long Term Incentive Plan (the "LTIP") and the Footasylum plc Company Share Option Plan (the "CSOP"), both of which are discretionary plans, and the Footasylum plc Save as you Earn Scheme (the "SAYE Scheme"), which is an all-employee plan. The LTIP, the CSOP and the SAYE Scheme are together the Share Incentive Plans. The principal features of the Share Incentive Plans are summarised below.

### **The Footasylum plc Long Term Incentive Plan ("LTIP")**

#### **Status of the LTIP**

Each award granted under the LTIP will take the form of an option to acquire Ordinary Shares at a price per Ordinary Share equal to the nominal value of an Ordinary Share, or, at the discretion of the Remuneration Committee, at a price which is nil. The awards will have no beneficial tax status.

The LTIP is to be adopted by the Company on, or shortly prior to, Admission.

#### **Eligibility**

All employees (including executive directors) of the Company and any of its subsidiaries may be granted awards under the LTIP.

#### **Grant**

The Remuneration Committee will have absolute discretion to select the persons to whom awards may be granted and, subject to the limits set out below, in determining the number of Ordinary Shares to be subject to each award.

Awards may be granted during the period of 42 days commencing on: (a) the date the LTIP is adopted by the Company; (b) the Admission Date; (c) the Dealing Day immediately following the date of the preliminary announcement of the Company's annual results or the announcement of its half yearly results in any year; or (d) any other time fixed by the Remuneration Committee where, in its discretion, circumstances are considered to be exceptional so as to justify the grant of awards.

If the grant of an award on any of the above days would be prohibited by virtue of the AIM Rules, any relevant share dealing code adopted by the Company or any statute, government directive or regulation or any order made pursuant to such statute, then such award may be granted during the period of 40 days commencing immediately after the Dealing Day following the time that such prohibition shall cease to have effect.

No consideration is payable for the grant of an award.

### ***Plan Limits***

On any date after the Admission Date, no award may be granted under the LTIP if, as a result, the aggregate nominal value of Ordinary Shares issued or issuable pursuant to awards granted during the previous ten years under the LTIP or any other employees' share scheme adopted by the Company would exceed ten per cent of the nominal value of the ordinary share capital of the Company in issue on that date.

For the purposes of the limit set out above:

- any Ordinary Shares which were subject to an award or other right (whether granted under the LTIP or any other employees' share scheme adopted by the Company) which has lapsed or been surrendered will not count towards the limit set out above;
- any Ordinary Shares issued or then capable of being issued pursuant to any awards or rights obtained on or prior to the Admission Date (whether under the LTIP or any other employees' share scheme adopted by the Company) shall not count towards the limit set out above;
- where an award (or other right granted under any other employees' share scheme operated by the Company) takes the form of a right to acquire Ordinary Shares from an employee benefit trust established by the Company, or some person other than the Company, such Ordinary Shares will only be counted as "issued or issuable" to the extent to which they have been issued (or there is an intention for them to be issued) by the Company to the trust or other person concerned for the purposes of the LTIP or any other employees' share scheme operated by the Company; and
- Ordinary Shares held in treasury which are used to satisfy awards or other rights (whether under the LTIP or any other employees' share scheme adopted by the Company) shall be taken into account unless and until treasury shares are no longer required by the Investment Association to be so included for the purposes of such limits.

### ***Individual Limit***

Generally, each individual's participation is limited so that, no award may be granted after the Admission Date in any financial year of the Company to an eligible employee if the sum of the aggregate market value of Ordinary Shares subject to the proposed award (calculated as at the date of grant) when taken together with the aggregate market value of Ordinary Shares subject to all awards (calculated as at the date of grant of each award) granted to the individual under the LTIP in that financial year, would exceed 100 per cent. of the individual's annual base salary at the date of grant.

The individual limit can be exceeded in circumstances (including, but not limited to, those in connection with any recruitment of an employee) which the Remuneration Committee consider to be exceptional.

### ***Performance Target***

The exercise of awards granted under the LTIP may be made conditional upon the achievement of one or more performance targets set by the Remuneration Committee at the time of grant. In the event that a performance target or targets apply to an award, each performance target shall be measured over a performance period (determined by the Remuneration Committee at the time of grant but which shall not be less than three years) ("Performance Period"). Subject to the satisfaction of any applicable performance targets an award will become capable of exercise following a date ("Vesting Date") specified at the date of grant of an award. The Vesting Date for any award will be a date selected by the Remuneration Committee which occurs on or after the expiry of all relevant Performance Periods applicable to the award but not before the third anniversary of the date of grant.

If any event occurs which causes the Remuneration Committee reasonably to consider that different or amended targets would be a fairer measure of performance or that the original target should be waived, the Remuneration Committee may waive or amend the original performance targets in such manner as it deems fit provided that any such amended targets are not materially more challenging to achieve than the original performance targets would have been to achieve but for the event or events in question.

A performance target applying to an award may be measured over an abbreviated period which is less than the relevant Performance Period in circumstances where an employee ceases to be a Group employee before the end of the relevant Performance Period or certain corporate events occur (such as a change of control of the Company) before the end of the relevant Performance Period. In these circumstances, such performance target may be modified in such manner as the Remuneration Committee deems fair and reasonable having regard to the abbreviated Performance Period and in such way as may not cause the achievement of the modified target to be materially more difficult to perform or harder to achieve than the original target prior to such modification.

The Remuneration Committee has the right to determine and set different performance targets in relation to any award made under the LTIP.

In relation to the initial grant of awards under the LTIP to be made on, or shortly after, Admission to Danielle Davies (as disclosed in paragraph 8.3 of this Part V) and four employees of the Group in respect of Ordinary Shares with an aggregate market value (by reference to the Placing Price) of £3,000,000, and the award intended to be made under the LTIP to Barry Bown subject to commencement of his employment with the Company on or around 1 June 2018, (further details of which are disclosed in paragraph 10.1.6 of this Part V) it is proposed that such awards will not be subject to performance targets. In the case of the awards proposed to be made under the LTIP on, or shortly after, Admission, the rationale for making these without being subject to performance targets, is that the awards concerned are being made in recognition of considerable past service to the Company by the recipients and to address the need to ensure that individuals concerned may obtain a meaningful equity stake in the Company to align their interests with Shareholders after a three year period of employment and continued service with the Company following Admission. In the case of the award intended to be made to Barry Bown following commencement of his employment with the Company, the Company recognises that an appointment of an executive to the Board of the calibre, pedigree and with the sector experience that Barry Bown commands will be in both the Company's and Shareholders' interests. In light of the potential advantages to be gained by the Company and its Shareholders in successfully recruiting Barry Bown, and in order to ensure his successful recruitment, in a highly competitive market, it is proposed that the award to be granted to Barry Bown is not subject to performance targets.

### **Dividends**

Until an award has been exercised and the Ordinary Shares have been transferred or issued to the award holder, the award holder shall have no entitlement to any dividends or other distributions payable in respect of the Ordinary Shares subject to the award.

The Remuneration Committee has a discretion, however, which must be exercised at the time of grant of an award, to permit any award holder to receive the benefit of dividends paid by the Company on Ordinary Shares during the relevant period relating to the award in question. In respect of any award, the relevant period shall be the period commencing on the date of grant of the award and ending on the Vesting Date relating to that award or if earlier, the date of cessation of the award holder's employment within the Group or the occurrence of a Corporate Event in relation to the Company (as defined below). If the Remuneration Committee exercises such discretion then on the exercise of an award the award holder may receive either:

- an additional number of Ordinary Shares ("Dividend Equivalent Shares"); or
- at the Remuneration Committee's discretion, a cash payment equal to the market value of the Dividend Equivalent Shares, (such market value to be measured on the date that such Dividend Equivalent Shares would have been transferred to the award holder, but for the Remuneration Committee's decision to make such a cash payment instead) ("Dividend Cash Payment").

The number of Dividend Equivalent Shares in respect of an award shall be calculated by determining the number of Ordinary Shares that could have been acquired on each dividend payment date falling within the relevant period relating to the award at the prevailing market value of an Ordinary Share on the dividend payment date in question with the amount of dividends that the award holder would have received in respect of the Ordinary Shares subject to the award if he were the holder of such Ordinary Shares. For these purposes any Dividend Equivalent Shares calculated in respect of a dividend payment date falling within the relevant period relating to an award shall be taken into account in

determining any further Dividend Equivalent Shares attributable to the award on any subsequent dividend payment date falling within the relevant period.

Any Dividend Equivalent Shares that have been issued and any Dividend Equivalent Shares that have been notionally added to an award shall be taken into account for the purposes of applying the plan limit set out above. Any potential right to receive additional Dividend Equivalent Shares in the future shall not, however, be taken into account in such plan limit.

To the extent that an award does not become exercisable in relation to any Ordinary Shares that were originally subject to the award, the award shall also cease to be exercisable in respect of a proportionate number of Dividend Equivalent Shares.

### ***Exercise and Lapse of Awards***

Normally, an award may only be exercised following the occurrence of the Vesting Date relating to the award to the extent that the relevant performance targets (if any) have been satisfied and the award holder is still an employee within the Group.

After an award has become capable of exercise it may be exercised at any time up until the tenth anniversary of the date of grant of the award or until such earlier date specified by the Remuneration Committee at the date of grant of the award.

Awards may not be exercised at any time when such exercise would be in breach of the AIM Rules, any relevant share dealing code adopted by the Company or any statute, government directive or regulation or any order made pursuant to such statute.

An award will lapse on the tenth anniversary of its date of grant unless it lapses sooner by virtue of an earlier lapse date being specified in relation to the award at the time of its grant or pursuant to another provision of the LTIP.

An award will generally lapse upon the award holder ceasing to be an employee of the Group.

However, if the award holder ceases to be employed within the Group by reason of his death, injury, ill health or disability (evidenced to the satisfaction of the Remuneration Committee) or retirement with the agreement of his employer or upon the sale or transfer out of the Group of the company or undertaking employing him or in any other circumstances at the discretion of the Remuneration Committee, then the award holder will be entitled to retain his award following the cessation of his employment. In these circumstances the retained award will, if such cessation of employment occurs prior to the Vesting Date of the award, ordinarily first become capable of exercise on the Vesting Date, save that the Remuneration Committee may permit the award to be exercised from the date of cessation. If the cessation of employment of the award holder occurs on or after the Vesting Date of an award in any of the circumstances described above in which the award may be retained post cessation of employment, the retained award may be exercised from the date of cessation of employment.

If the cessation of employment occurs before the Vesting Date of an award, the number of Ordinary Shares over which the award may ultimately be exercised shall be determined:

- by reference to the extent to which the performance targets, if any, are satisfied at the end of the applicable Performance Periods (or, in any case where the Remuneration Committee exercises its discretion, as mentioned in the preceding paragraph, to permit the award to be exercised from the cessation of employment, at the end of the abbreviated Performance Periods); and
- by pro-rating the number of Ordinary Shares in respect of which the award is capable of exercise in accordance with the performance targets, if any, to reflect the part of the vesting period (being the period commencing on the date of grant of an award and ending on the Vesting Date relating to such award (“Vesting Period”)) which has elapsed as at the date of cessation of employment, unless the Remuneration Committee exercises its discretion so that no such pro-rating should apply to the award in question or that pro-rating should be applied to some lesser extent.

If the cessation of employment occurs on or after the Vesting Date of an award, the number of Ordinary Shares over which the award may ultimately be exercised shall be determined by reference to the extent to which the performance targets, if any, applying to the award are satisfied at the end of any

applicable Performance Periods, but the number of shares so determined shall not be subject to any pro-rata, as the entire Vesting Period relating to such award will have elapsed at the date of cessation of employment.

Awards which become capable of exercise following the cessation of employment of the award holder must be exercised within 12 months of the date that the award becomes capable of exercise and to the extent not exercised by the end of this period will lapse.

Awards shall also become capable of exercise earlier than the Vesting Date in the event of a takeover of the Company, a scheme of arrangement under Part 26 of the 2006 Act being sanctioned by the court in connection with a takeover of the Company or its reconstruction or amalgamation with another company or the voluntary winding up of the Company ("Corporate Event"), subject to the Remuneration Committee's determination as to the achievement of any applicable performance targets. In any such case, the number of Ordinary Shares over which an award may be exercised will normally also be pro-rated to reflect the amount of the Vesting Period that has elapsed prior to the relevant Corporate Event. However the Remuneration Committee has a discretion to ignore such prescribed pro-rating of the Ordinary Shares over which such award may be exercised, or to pro-rate to such lesser extent as it may decide.

An internal reorganisation will not normally trigger the ability to exercise any awards for which the Vesting Date has not occurred at the time of such internal reorganisation. Instead in the event of an internal reorganisation all award holders will be given the opportunity to exchange each of their awards (irrespective of whether or not the Vesting Date for any award in question has occurred) for an award in the new holding company (subject to such new holding company's consent) unless the Remuneration Committee determines otherwise in which case all such awards shall become capable of exercise in accordance with the provisions described above for a Corporate Event, as if the internal reorganisation was a takeover of the Company. Any award will lapse if the ability to exchange that award is offered to the award holder but the award holder declines to exchange the award for an award in the new holding company prior to the expiry of the period permitted by the Remuneration Committee for the exchange to take place.

If a proposed demerger, special dividend or other similar event is announced which, in the opinion of the Remuneration Committee, would affect the share price of an Ordinary Share to a material extent, the Remuneration Committee may decide that all awards (irrespective of whether or not their respective Vesting Dates have occurred) will be capable of exercise in accordance with the provisions described above for a Corporate Event, as if the demerger, special dividend or other similar event in question was a takeover of the Company.

### ***Holding Period***

An award holder shall not normally be entitled to dispose of, transfer, assign, charge, hypothecate or otherwise encumber the Ordinary Shares acquired pursuant to the exercise of an award at any time during a two year period commencing on the Vesting Date of the award concerned and ending on the second anniversary of such Vesting Date ("Holding Period").

However, an award holder shall be permitted to dispose of Ordinary Shares acquired pursuant to an award, during the Holding Period relating to such award:

- in order to produce a sum sufficient to discharge any income tax and/or employee's national insurance contributions and/or employer's national insurance contributions for which the award holder is liable as a result of the exercise of the award in question;
- in order to produce a sum equal to the aggregate exercise price (if any) payable to acquire the Ordinary Shares on exercise of the award in question;
- in circumstances where the Ordinary Shares are to be disposed of in connection with a Corporate Event or a demerger of the Company; or
- with the express consent of the Remuneration Committee (but not otherwise) in any circumstances which the Remuneration Committee determines to be exceptional.

In the event that an award is exercised on or after the expiry of the Holding Period that applies to such award, the Ordinary Shares acquired pursuant to such exercise shall not be subject to the restrictions

on disposing of, transferring, assigning, charging, hypothecating or otherwise encumbering such Ordinary Shares as described above.

### **Clawback**

At any time prior to the expiry of the three year period following the Vesting Date of an award the Remuneration Committee shall have the ability to reclaim the value (or part of the value) of the award. This ability shall be capable of exercise in any case where:

- there has been a material misstatement of the Company's published accounts in respect of any of the financial years taken into account for the purpose of assessing the extent to which any performance target in relation to an award has been met, resulting in the award being capable of exercise over more Ordinary Shares than would otherwise have been the case;
- an error has been made in assessing the extent to which any performance target applying to the award has been met resulting in the award being capable of exercise over more Ordinary Shares than would otherwise have been the case; or
- it is discovered that the award holder in question has, at any time on or prior to the Vesting Date of the award, committed serious misconduct.

In the event that this "clawback provision" is exercised, recovery of the value (or part of the value) of an award from the award holder may be made by way of a reduction in any future bonus, a reduction in the number of Ordinary Shares subject to an existing award or that may be made subject to a future award under the LTIP or any option or award granted under any other employee share scheme operated by the Company (other than a Schedule 2 Share Incentive Plan, a Schedule 3 Save as you Earn Scheme or a Schedule 4 Company Share Option Scheme), and/or by the award holder making a cash payment to the Company.

### **Other Award Terms**

An award may be satisfied by either the issue of Ordinary Shares, the transfer of Ordinary Shares (which may have been acquired by subscription or by purchase in the market) held by an existing shareholder who has agreed to satisfy the exercise of the award or by the transfer of Ordinary Shares held in treasury.

Awards are not capable of transfer or assignment.

Until awards are exercised, award holders have no voting or other rights in relation to the Ordinary Shares subject to those awards.

Ordinary Shares allotted pursuant to the exercise of an award will rank *pari passu* in all respects with the Ordinary Shares already in issue. Ordinary Shares transferred on the exercise of an award shall be transferred without the benefit of any rights attaching to the Ordinary Shares by reference to a record date preceding the date of that exercise. For so long as the Ordinary Shares are admitted to trading on AIM, the Company will make an application to the London Stock Exchange so that upon the issue of Ordinary Shares to satisfy the exercise of an award (or as soon thereafter as reasonably practicable) such Ordinary Shares shall be admitted to trading on AIM.

Benefits obtained under the LTIP are not pensionable.

### **Adjustment of Awards**

The number of Ordinary Shares under award and their nominal value and, where applicable, the exercise price may be adjusted by the Remuneration Committee in the event of:

- any capitalisation issue or rights issue (other than an issue of Ordinary Shares pursuant to the exercise of an option given to the shareholders of the Company to receive shares in lieu of a dividend) or open offer or any other variation in the share capital of the Company including (without limitation) any consolidation, subdivision or reduction of capital; or
- a demerger, special dividend or other similar event which in the opinion of the Remuneration Committee would affect the share price of an Ordinary Share to a material extent and where the Remuneration Committee has not exercised its discretion to allow the award to be exercised prior to the Vesting Date as a result of such demerger, special dividend or other similar event.

### **Administration and Amendment**

The LTIP is administered by the Remuneration Committee. The Remuneration Committee may amend the provisions of the LTIP from time to time in such manner as it deems fit.

No amendment may be made to subsisting awards which will have an adverse effect on such awards except with the written consent of the award holders who hold awards over at least 75 per cent. of the total number of Ordinary Shares subject to all such affected subsisting awards under the LTIP or unless the amendment is a minor amendment to benefit the administration of the LTIP, to take account of any change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for any award holder or any Group company.

### **Termination**

The LTIP may be terminated at any time by resolution of the Board and shall in any event terminate on the tenth anniversary of its adoption so that no further awards can be granted under the LTIP after such termination. Termination shall not affect the outstanding rights of existing award holders.

### **The Footasylum plc Company Share Option Plan (“CSOP”)**

#### **Status of the CSOP**

The CSOP is designed to be a Schedule 4 CSOP Scheme.

The CSOP is to be adopted by the Company on, or shortly prior to, Admission.

#### **Eligibility**

All employees (including full time executive directors) of the Company and any of its subsidiaries may be granted options over Ordinary Shares under the CSOP provided that they are not prohibited under the relevant legislation relating to Schedule 4 CSOP Schemes from being granted an option by virtue of having, or having had, a material interest in the Company.

#### **Grant**

The Remuneration Committee has absolute discretion to select the persons to whom options are to be granted and, subject to the limits set out below, in determining the number of Ordinary Shares subject to each option.

Options may be granted during the period of 42 days commencing on: (a) the date the CSOP is adopted by the Company; (b) the Admission Date; (c) the Dealing Day immediately following the date of the preliminary announcement of the Company’s annual results or the announcement of its half-yearly results in any year; or (d) any other time fixed by the Remuneration Committee where, in its discretion, circumstances are considered to be exceptional so as to justify the grant of options.

If the grant of an option on any of the above days would be prohibited by virtue of the AIM Rules, any relevant share dealing code adopted by the Company or any statute, government directive or regulation or any order made pursuant to such statute, then such option may be granted during the period of 40 days commencing immediately after the Dealing Day following the time that such prohibition shall cease to have effect.

No consideration is payable for the grant of an option.

#### **Scheme Limits**

On any date after the Admission Date, no option may be granted under the CSOP if, as a result, the aggregate nominal value of Ordinary Shares issued or issuable pursuant to options granted or rights obtained during the previous ten years under the CSOP or any other employees’ share scheme adopted by the Company would exceed ten per cent of the nominal value of the ordinary share capital of the Company in issue on that date.

For the purposes of the limit set out above:

- any Ordinary Shares which were subject to an option or other right (whether granted under the CSOP or any other employees’ share scheme adopted by the Company) which has lapsed or been surrendered will not count towards the limit set out above;

- any Ordinary Shares issued or then capable of being issued pursuant to any options or rights obtained on or prior to the Admission Date (whether under the CSOP or any other employees' share scheme adopted by the Company) shall not count towards the limit set out above;
- where an option (or other right granted under any other employees' share scheme operated by the Company) takes the form of a right to acquire Ordinary Shares from an employee benefit trust established by the Company, or some person other than the Company, such Ordinary Shares will only be counted as "issued or issuable" to the extent to which they have been issued (or there is an intention for them to be issued) by the Company to the trust or such other person for the purposes of the CSOP or any other employees' share scheme operated by the Company; and
- Ordinary Shares held in treasury which are used to satisfy awards or other rights (whether under the CSOP or any other employees' share scheme adopted by the Company) shall be taken into account unless and until treasury shares are no longer required by the Investment Association to be so included for the purposes of such limit.

### ***Individual Limit***

Each individual's participation is limited so that the aggregate market value of Ordinary Shares subject to all options (calculated as at the date of grant of each option) held by that individual and granted under the CSOP or any other Schedule 4 CSOP Scheme operated by the Company or any associated company, shall not exceed £30,000 (or such other amount as may be permitted by HMRC from time to time).

### ***Exercise Price***

The exercise price per Ordinary Share under an option is determined by the Remuneration Committee at the time of grant but may not be less than the greater of (i) the market value of an Ordinary Share as at the date of grant and (ii) in the case of an option to subscribe for Ordinary Shares, the nominal value of an Ordinary Share.

The exercise price (as well as the number of Ordinary Shares under option and their description) may be adjusted by the Remuneration Committee in the event of any capitalisation issue or rights issue (other than an issue of Ordinary Shares pursuant to the exercise of an option given to the shareholders of the Company to receive shares in lieu of a dividend) or open offer or any other variation in the share capital of the Company including (without limitation) any consolidation, subdivision or reduction of capital. Any such adjustments may not be made if they would result in the requirements of Schedule 4 of ITEPA not being met in relation to the option and any adjustments made must secure that the total market value of the Ordinary Shares which may be acquired by the exercise of the option and the total price at which those Ordinary Shares may be acquired is immediately after such adjustments substantially the same as what they were immediately before the adjustments.

### ***Performance Conditions***

The exercise of options granted under the CSOP may be made conditional upon the achievement of one or more objective performance targets set at the time of grant. In the event that a performance target or targets apply to an option, each performance target shall be measured over a performance period (determined by the Remuneration Committee at the time of grant but which shall not be less than three years) ("Performance Period"). Subject to the satisfaction of any performance target, the option will become capable of exercise following a date ("Vesting Date") specified at the time of grant which occurs after the expiry of all relevant Performance Periods applicable to the option. The Vesting Date for an option may not occur before the third anniversary of the date of grant.

If any event occurs which causes the Remuneration Committee reasonably to consider that different or amended targets would be a fairer measure of performance or that the original performance targets should be waived, the Remuneration Committee may waive or amend the original performance targets in such manner as it deems fit provided that any such amended targets are not materially more challenging to achieve than the original performance targets would have been to achieve but for the event or events in question.

A performance target, applying to an option, may be measured over an abbreviated period less than the relevant Performance Period in circumstances where an employee ceases to be a Group employee



before the end of the relevant Performance Period or certain corporate events occur (such as a change of control of the Company) before the end of the relevant Performance Period. In these circumstances such performance target may be modified in such manner as the Remuneration Committee deems fair and reasonable, having regard to the abbreviated performance period and in such a way as may not cause the achievement of the modified target to be materially more difficult to perform or harder to achieve than the original target prior to such modification.

The Remuneration Committee has the right to determine and set performance targets in relation to any option granted under the CSOP.

### ***Exercise of Options***

Normally, an option may only be exercised following the occurrence of the Vesting Date to the extent that the relevant performance targets (if any) have been satisfied and the participant is still an employee within the Group.

No option is capable of exercise more than ten years after its date of grant and will lapse on the tenth anniversary of its date of grant.

Options may not be exercised at any time when such exercise would be in breach of the AIM Rules, any relevant share dealing code adopted by the Company or any statute, government directive or regulation or any order made pursuant to such statute.

In certain circumstances, options may be exercised earlier than the Vesting Date if the option holder ceases to be an employee of the Group. In particular, options may be exercised for a period of six months after the option holder ceases to be employed within the Group by reason of injury, ill health or disability (evidenced to the satisfaction of the Remuneration Committee), redundancy or retirement or upon the sale or transfer out of the Group of the company or undertaking employing him. In the event of cessation of employment of the option holder by reason of his or her death, his personal representatives will be entitled to exercise the option within twelve months following the date of his death. Where an option holder ceases to be employed within the Group for any other reason, options may also become exercisable for a limited period at the discretion of the Remuneration Committee.

Exercise of options is also possible earlier than the Vesting Date in the event of a takeover of the Company, a scheme of arrangement under Part 26 of the 2006 Act being sanctioned by the court which is applicable to or affects the Company's share capital, the demerger of the Company, a non UK company reorganisation (where applicable) or the voluntary winding up of the Company. In the case of a takeover of the Company or the transfer out of the Group of the undertaking employing the option holder concerned, the Remuneration Committee may allow the option to be exercised immediately before, but with effect from, the takeover or the transfer of the undertaking concerned.

In all of these circumstances allowing for early exercise of an option prior to the Vesting Date, the option may not be exercised unless (subject to any modification of the performance target in accordance with the rules of the CSOP) the performance targets, if any, to which it is subject have been satisfied. Where an option is exercised before the occurrence of the Vesting Date, the maximum number of Ordinary Shares over which any option is capable of exercise shall, subject to the discretion of the Remuneration Committee, be pro-rated down on a time apportioned basis by reference to the time that has elapsed from the relevant date of grant to the relevant event giving rise to the early exercise of the option.

In relation to the pro-rating mechanism outlined above, the Remuneration Committee has a discretion, having full regard to all the circumstances surrounding the early exercise of an option, to ignore the prescribed pro-rating of the Ordinary Shares over which such option may be exercised.

In the event of a takeover of the Company, an option holder may be allowed to exchange his option for a new option over shares in the acquiring company, provided that the acquiring company agrees to such exchange and the rights under the new option are equivalent to those under the old option.

### ***Other Option Terms and Issue of Ordinary Shares***

The CSOP provides the facility for the exercise of an option to be satisfied by either the issue of Ordinary Shares, the transfer of Ordinary Shares held by an existing shareholder who has agreed to satisfy the exercise of the option or by the transfer of Ordinary Shares held in treasury.

Options are not capable of transfer or assignment.

Until options are exercised, option holders have no voting or other rights in relation to the Ordinary Shares subject to those options.

Ordinary Shares allotted pursuant to the exercise of an option will rank *pari passu* in all respects with the Ordinary Shares already in issue but shall not rank for any dividends or other distribution payable by reference to a record date preceding the date of such allotment. Ordinary Shares transferred on the exercise of an option shall be transferred without the benefit of any rights attaching to the Ordinary Shares by reference to a record date preceding the date of that exercise. For so long as the Ordinary Shares are admitted to trading on AIM, the Company will make an application to the London Stock Exchange so that upon the issue of Ordinary Shares to satisfy the exercise of an option (or as soon thereafter as reasonably practicable) such Ordinary Shares shall be admitted to trading on AIM.

Benefits obtained under the CSOP are not pensionable.

### ***Administration and Amendment***

The CSOP is administered by the Remuneration Committee. The Remuneration Committee may amend the provisions of the CSOP from time to time in such manner as it deems appropriate. However, no amendment to a key feature of the CSOP may be made which would result in the requirements of Schedule 4 of ITEPA not being met in relation to the CSOP.

In addition, no amendment may be made to subsisting options which will have an adverse effect on such options except with the written consent of the option holders who hold options over at least 75 per cent. of the total number of Ordinary Shares subject to all such affected subsisting options under the CSOP or unless the amendment is a minor amendment to benefit the administration of the CSOP, to take account of any change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for any option holder or any Group company.

### ***Termination***

The CSOP may be terminated at any time by resolution of the Board and shall in any event terminate on the tenth anniversary of its adoption so that no further options can be granted under the CSOP after such termination. Termination shall not affect the outstanding rights of existing option holders.

## **The Footasylum plc Save As You Earn Scheme (“SAYE Scheme”)**

### ***Status of the SAYE Scheme***

The SAYE Scheme is designed to be a Schedule 3 Save As You Earn Scheme.

The SAYE Scheme will be adopted by the Company with effect from Admission.

### ***Eligibility***

Participation in the SAYE Scheme will be offered to all employees, (including full-time executive directors) of the Company and its participating subsidiaries who satisfy certain criteria. The criteria are that:

- the employee must have been employed for a continuous period to be determined by the board of directors of the Company or a duly appointed committee thereof (“Board”) (not exceeding five years ending on the date of grant of the relevant option); and
- the employee’s earnings from employment are general earnings (or would be if there were any) for a tax year in which the employee is resident in the United Kingdom.

In addition, certain other employees of the Company or any subsidiary of the Company nominated by the Board may be permitted to participate in the SAYE Scheme.

### ***Issue of Invitations***

Invitations to apply for an option may be issued to eligible employees during the period of 42 days commencing on: (a) the Admission Date; (b) the date the SAYE Scheme is adopted by the Company; (c) the Dealing Day immediately following the date of the preliminary announcement of the Company’s annual results or the announcement of its half-yearly results in any year; (d) any day on which a change

to the legislation affecting Schedule 3 Save As You Earn Schemes is proposed or takes effect; or (e) any day on which a new savings contract prospectus is announced or takes effect.

If the issue of an invitation during any of the above periods would be prohibited by virtue of the AIM Rules, any relevant share dealing code adopted by the Company or any statute, government directive or regulation or order made pursuant to such statute, then such invitation may be issued during the period of 40 days commencing immediately after the Dealing Day following the time that such prohibition shall cease to have effect.

Each eligible employee who receives an invitation may, within 21 days from the date of the invitation (or such shorter period not being less than 14 days as the Board may determine), apply for an option.

#### ***“Save-As-You-Earn” Contract and Grant of Options***

An eligible employee who wishes to be granted an option must enter into a save-as-you-earn contract (“SAYE contract”) with an approved savings body selected by the Board. Under the SAYE contract, the eligible employee will save a regular sum each month for three or five years (such period to be selected at the discretion of the Board on or prior to issuing the invitations) of not less than £5 nor more than £500 per month (or such greater amount as may from time to time be permitted by ITEPA). Employees who complete an SAYE contract will be entitled to a bonus from the savings body provided that such a bonus is payable in respect of the SAYE contract concerned. The bonus is fixed at the inception of the SAYE contract.

An option to acquire Ordinary Shares will be granted to each eligible employee who enters into an SAYE contract. The number of Ordinary Shares subject to such an option will be the number of Ordinary Shares which have an aggregate option price as near to, but not exceeding, the projected proceeds of the SAYE contract concerned (including the bonus, if available, subject to any scaling back as described below).

No consideration is payable for the grant of an option.

#### ***Scaling Back***

If there are insufficient Ordinary Shares available to fully satisfy all applications received for an option from eligible employees, the Board may scale down the applications by taking one or more prescribed steps set out in the rules of the SAYE Scheme to reduce the amount of savings made under each SAYE contract or otherwise reduce the proceeds derived from each SAYE contract so as to ensure that the options are granted over such number of Ordinary Shares as does not exceed the number of Ordinary Shares available to satisfy those options.

#### ***Exercise Price***

Subject to the constraints set out below, the option price per Ordinary Share subject to an option will be selected by the Board.

The option price must not be less than eighty per cent (or such other percentage as may from time to time be permitted by Schedule 3 of ITEPA) of the market value of an Ordinary Share on the day on which the invitations to apply for options are issued provided that, in the case of an option to subscribe for Ordinary Shares, the option price per Ordinary Share subject to an option selected by the Board shall not be less than the greater of: (i) the nominal value of an Ordinary Share; and (ii) an amount equal to eighty per cent (or such other percentage as may from time to time be permitted by Schedule 3 of ITEPA) of the market value of an Ordinary Share on the day on which the invitations to apply for options are issued.

The option price (as well as the number of Ordinary Shares under option and their description) may be adjusted by the Board in the event of any capitalisation issue or rights issue (other than an issue of Ordinary Shares pursuant to the exercise of an option given to the shareholders of the Company to receive Ordinary Shares in lieu of a dividend) or open offer or any other variation in the share capital of the Company, including (without limitation) any consolidation, subdivision or reduction of capital. Any such adjustments may not be made if they would result in the requirements of Schedule 3 of ITEPA not being met in relation to the option and any adjustments made must secure that the total market value of the Ordinary Shares which may be acquired by the exercise of the option and the total price

at which those Ordinary Shares may be acquired are immediately after such adjustments substantially the same as what they were immediately before the adjustments.

### ***Scheme Limit***

On any date after the Admission Date, no option may be granted under the SAYE Scheme if as a result the aggregate nominal value of Ordinary Shares issued or issuable pursuant to options or other rights granted during the previous ten years under the SAYE Scheme or any other employees' share scheme adopted by the Company would exceed ten per cent of the nominal value of the ordinary share capital of the Company in issue at that date.

For the purposes of the limit set out above:

- any Ordinary Shares which were subject to an option or other right (whether granted under the SAYE Scheme or any other employees' share scheme adopted by the Company) which has lapsed or been surrendered will not count towards the limit set out above;
- any Ordinary Shares issued or then capable of being issued pursuant to options granted in respect of invitations issued under the SAYE Scheme on or prior to the Admission Date or pursuant to any options or rights obtained on or prior to the Admission Date (under any other employees' share option scheme adopted by the Company) shall not count towards the limit set out above;
- where an option (or other right granted under any other employees' share scheme operated by the Company) takes the form of a right to acquire Ordinary Shares from an employee benefit trust established by the Company or from any other person, such Ordinary Shares will only be counted as "issued or issuable" to the extent to which they have been issued (or there is an intention for them to be issued) by the Company to the trust or such other person for the purposes of the SAYE Scheme or any other employees' share scheme operated by the Company; and
- Ordinary Shares held in treasury which are used to satisfy awards or other rights (whether under the SAYE Scheme or any other employees' share scheme adopted by the Company) shall be taken into account unless and until treasury shares are no longer required by the Investment Association to be so included for the purposes of such limit.

### ***Exercise and Lapse of Options***

Options are not transferable and (except in the circumstances described below) an option may normally only be exercised within a period of six months following the maturity of the relevant SAYE contract by a person who remains a director or employee.

Where an option holder dies before the maturity of his SAYE contract, his personal representatives may exercise his option within a period of twelve months from the date of his death. Where an option holder dies within a period of six months following the maturity of his SAYE contract without having exercised his option, his personal representatives may exercise his option within a period of twelve months following the date of maturity of the SAYE contract.

An option holder may exercise his option early within a period of six months following the date that he is no longer an employee of the Company or any "associated company" of the Company (as defined in Schedule 3 of ITEPA) where the cessation occurs as a result of:

- injury, disability, redundancy (within the meaning of the Employment Rights Act 1996), retirement or a transfer of the option holder's employment within the meaning of the Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPE Transfer");
- his employing company ceasing to be under the control of the Company; or
- his office or employment being transferred to a company which is not under the control of the Company where such transfer does not amount to a TUPE Transfer.

Options will lapse upon cessation of employment of the option holder in any other circumstances not referred to above.

An option holder may also exercise his option early within a limited period following a takeover of the Company, a scheme of arrangement under Part 26 of the 2006 Act which affects, or is applicable to, the Ordinary Shares being sanctioned by the court, a non-UK company reorganisation or the passing of a resolution for the voluntary winding up of the Company.

Where there is a change of control of the Company, in certain circumstances option holders may release their rights under options in consideration of the grant to them of equivalent rights over shares in the acquiring company which gains control of the Company.

Where an option is exercised early, the number of Ordinary Shares acquired on exercise will in any event be limited by reference to the proceeds accrued under the relevant SAYE contract up to the date of exercise.

#### ***Other Option Terms and Issue of Ordinary Shares***

The SAYE Scheme provides the facility for the exercise of options to be satisfied by either the issue of Ordinary Shares, the transfer of Ordinary Shares held by an existing shareholder who has agreed to satisfy the exercise of the option or by the transfer of Ordinary Shares held in treasury.

Options are not capable of transfer or assignment.

Until options are exercised, option holders have no voting or other rights in relation to the Ordinary Shares subject to those options.

Ordinary Shares allotted pursuant to the exercise of an option will rank *pari passu* in all respects with the Ordinary Shares already in issue but shall not rank for any dividends or other distribution payable by reference to a record date preceding the date of allotment. Ordinary Shares transferred on the exercise of an option shall be transferred without the benefit of any rights attaching to the Ordinary Shares by reference to a record date preceding the date of that exercise. For so long as the Ordinary Shares are admitted to trading on AIM, the Company will make an application to the London Stock Exchange so that upon the issue of Ordinary Shares to satisfy the exercise of an option (or as soon thereafter as reasonably practicable) such Ordinary Shares shall be admitted to trading on AIM.

Benefits obtained under the SAYE Scheme are not pensionable.

#### ***Amendments***

The SAYE Scheme is administered by the Board. The Board may amend the provisions of the SAYE Scheme. However, no amendment to a key feature of the SAYE Scheme may be made which would result in the requirements of Schedule 3 of ITEPA not being met in relation to the SAYE Scheme.

No amendment may be made to subsisting options which will have an adverse effect on such options except with the written consent of the option holders who hold options over at least 75 per cent. of the total number of Ordinary Shares subject to all such affected subsisting options under the SAYE Scheme or unless the amendment is a minor amendment to benefit the administration of the SAYE Scheme, to take account of any change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for any option holder, the Company or any subsidiary undertaking of the Company from time to time.

#### ***Overseas Employees***

The Board may adopt supplemental rules to the SAYE Scheme to facilitate the granting of options to individuals not resident in the UK provided that such supplemental rules will, so far as the Board in its discretion considers reasonably practicable, follow the rules of the SAYE Scheme.

#### ***Termination***

The SAYE Scheme may be terminated at any time by resolution of the Board and shall in any event terminate on the tenth anniversary of its adoption by the Company so that no further options can be granted under the SAYE Scheme after such termination. Termination shall not affect the outstanding rights of existing option holders.

## 14. Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company and/or any of its subsidiaries in the two years immediately preceding the date of this Document and which: (i) are, or may be, material to the Group; or (ii) contain obligations or entitlements which are, or may be material to the Group:

14.1 On 27 October 2017 the Company, the Directors, the Selling Shareholders, the Broker and the Nomad entered into the Placing Agreement, pursuant to which the Broker was appointed as the agent of the Company for the purpose of managing the Placing and has agreed conditionally, *inter alia*, upon Admission to use its reasonable endeavours to procure places to subscribe for or purchase (as the case may be) the Placing Shares at the Placing Price. Pursuant to the Placing Agreement, the Company, its Directors and the Selling Shareholders have given certain warranties and the Company has given certain indemnities to the Broker and Nomad regarding, *inter alia*, the accuracy of the information in this Document. The Placing Agreement is conditional, *inter alia*, on Admission taking place no later than 8.00 a.m. on 2 November 2017, (or such later date as the Company, the Broker and the Nomad may agree being no later than 30 November 2017) and the Company and the Directors complying with certain obligations under the Placing Agreement. Under the Placing Agreement, the Company has agreed to pay to the Nomad a corporate finance fee and to the Broker a commission on the aggregate value of the New Shares (less £18,700,000 in respect of the Redemption) issued pursuant to the Placing at the Placing Price, together with all costs and expenses of the Placing and Admission (and any related VAT). The Selling Shareholders have agreed to pay Liberum a commission on the aggregate value of the Sale Shares at the Placing Price. The Preference Shareholders have agreed to pay Liberum a commission on the aggregate value of the Preference Shares, the subject of the Redemption.

Pursuant to the Placing Agreement each of the Directors and the Existing Shareholders have agreed (subject to certain exemptions) that they will not sell or dispose of their interests in or rights over any of their Ordinary Shares for a period of twelve months from Admission and, for a further twelve months thereafter, they will only sell or dispose of their interests in or rights over their Ordinary Shares subject to orderly market restrictions.

14.2 On 27 October 2017, the Company entered into a nominated adviser agreement with GCA Altium in respect of GCA Altium acting as its nominated adviser for the purposes of AIM for an initial minimum period of 12 months following Admission and thereafter unless and until terminated on three months' notice by either party. The Company has agreed to pay to the Nomad an annual retainer for acting as nominated adviser from Admission.

14.3 On 27 October 2017 the Company, David Makin and The John Wardle 2016 Settlement entered into the Subscription Agreement pursuant to which David Makin has agreed, conditional on Admission, to subscribe for the Subscription Shares at the Placing Price. The Subscription Shares will be issued on Admission. The Subscription Agreement contains provisions which allow for the consideration payable for the Subscription Shares to be deducted by the Company from the proceeds in connection with the redemption of the Preference Shares under the terms of the Redemption Agreement, which the trustees of The John Wardle 2016 Settlement have determined to transfer to David Makin and which David Makin has directed should be used in consideration for the Subscription Shares.

14.4 On 27 October 2017, the Company entered into a relationship agreement (the "Relationship Agreement") with the Existing Shareholders pursuant to which the Existing Shareholders have undertaken to procure from Admission:

14.4.1 that the Group is capable of carrying on at all times its business independently of the Existing Shareholders;

14.4.2 that all transactions between the Group and the Existing Shareholders are conducted at arms' length and not to vote on any such transactions;

14.4.3 that a majority of the Board is independent of the Existing Shareholders; and

14.4.4 not to vote on any matter which is subject to a conflict of interest or on any arrangement in which an Existing Shareholder has a material interest.

- 14.4.5 to consult with the Panel (if applicable) prior to his or her (or any of his or her connected persons) acquiring an interest in any Ordinary Shares (except pursuant to a grant or exercise of any interest under any Share Incentive Plan, or any similar employee share scheme); and
- 14.4.6 not to acquire (and will procure that none of their connected persons will acquire) an interest in any Ordinary Shares which, when aggregated with his or her interests and those of the other Existing Shareholders and their connected persons (but excluding any interest in shares derived from or under any Share Incentive Plan, or any similar employee share scheme), would represent more than 63.03 per cent. of the issued ordinary share capital in the Company except:
- (a) with the prior written consent of a majority of the independent Non-Executive Directors, such consent not to be unreasonably withheld or delayed; or
  - (b) immediately prior to the announcement of a firm intention to make an offer for the entire issued share capital in the Company in accordance with the Takeover Code.

The Relationship Agreement terminates when the Existing Shareholders (and their associates) cease to control at least 25 per cent. of the voting rights relating to the Company.

- 14.5 On 26 October 2017 the Preference Shareholders and the Company entered into a redemption agreement in relation to the purchase of all of the Preference Shares by the Company at an aggregate nominal value of £18,700,000 plus accrued interest (the "Redemption Agreement"). The Redemption Agreement was approved by the members of the Company by a written resolution passed on 26 October 2017, and is conditional upon Admission.
- 14.6 On 11 September 2017, the Company (as lender) entered into a loan agreement with The Gym King Limited ("Gym King") (as borrower) pursuant to which the Company agreed to provide Gym King with a loan of £1,000,000. Interest is payable on the loan at 1.9 per cent. per annum above the base rate of the Bank of England. The loan is repayable in monthly instalments of £50,000, payable on or within three business days of the last business day of each calendar month with the total loan to be repaid in full on 31 January 2019.
- 14.7 On 3 August 2017, the Company entered into a broker agreement with Liberum in respect of Liberum acting as broker to the Company for the purposes of the Placing and, with effect from Admission as its retained broker. The Company has agreed to pay Liberum an annual retainer for acting as broker from Admission.
- 14.8 On 6 July 2017 the Company (as borrower) amongst others, entered into a multi-currency revolving facility agreement with HSBC Bank plc (as lender) ("HSBC Loan"), pursuant to which HSBC Bank plc made available to the Company a revolving credit facility of £30,000,000 for the purpose of (i) paying Transaction Costs; (ii) refinancing certain Financial Indebtedness; (iii) funding capital expenditure and general corporate and working capital purposes; (iv) payment of consideration for any permitted acquisition; (v) entering into any permitted joint venture; and (iv) making permitted payments (each such term as defined therein). The interest payable on the HSBC Loan is 1.90 per cent. plus LIBOR. In addition, a commitment fee is payable of 40 per cent. per annum of the margin on the undrawn commitment. An arrangement fee of £285,000 was also payable. The agreement contains representations, warranties, undertakings and events of default which are usual for an agreement of this nature together with certain financial covenants. The HSBC Loan agreement also contains a clause which allows HSBC Bank plc to cancel any obligations owed by it under the agreement and demand repayment of the facility if there is a change of control. Footasylum Brands Ltd and the Company have also entered into the agreement as guarantors, guaranteeing the obligation of the borrowers under the agreement. In addition to the above, the Company and Footasylum Brands Limited have entered into debentures in favour of HSBC Bank plc (including a fixed and floating charge over all assets and undertakings) as security for the agreement.
- 14.9 On 6 July 2017 the Company (as borrower), entered into a loan agreement with John Wardle (as lender), pursuant to which John Wardle agreed to provide the Company with a loan of £3,850,000 (the "JW Loan"). The JW Loan contains customary representations, warranties and affirmative covenants for an agreement of this nature. The JW Loan is subject to the terms of the

subordination deed (as set out below). The term of the loan is four years from the date of the agreement and bears interest at two per cent. above (Bank of England) base rate. The JW Loan will be repaid following Admission from the net proceeds of the Placing receivable by the Company.

- 14.10 On 6 July 2017 the Company, amongst others, entered into a subordination deed with HSBC Bank plc and John Wardle (each a “Creditor” and together the “Creditors”) pursuant to which each Creditor and the Company agreed that at all times, on or before the Senior Discharge Date (as defined therein) the rights of John Wardle in respect of his liabilities are subordinate to that of the liabilities owed by the Company and Footasylum Brands Limited to HSBC Bank plc.

## **15. Working Capital**

The Directors are of the opinion that, having made due and careful enquiry and taking into account the net proceeds of the Placing of New Shares and available bank and other facilities, the working capital available to the Group will be sufficient for its present requirements, that is for the period of at least 12 months from Admission.

## **16. Litigation**

The Group is not involved nor has been involved in any governmental, legal or arbitration proceedings in the previous 12 months which have or may have had in the recent past, a significant effect on the Group’s financial position or profitability nor, so far as the Directors are aware, are any such proceedings pending or threatened against any member of the Group.

## **17. Taxation**

- 17.1 The following statements are intended only as a general guide current as at 26 October 2017 (being the latest practicable date prior to publication of this Document) to United Kingdom tax legislation and to the current practice of HMRC and do not constitute tax advice. These statements relate only to Shareholders who are resident (and, in the case of individuals, resident and domiciled) for tax purposes in (and only in) the UK, who hold their Ordinary Shares as an investment (other than under an individual savings account) and who are the absolute beneficial owners of both the Ordinary Shares and any dividends paid on them. The tax position of certain categories of Shareholders who are subject to special rules, such as persons who acquire (or are deemed to acquire) their Ordinary Shares in connection with their (or another person’s) office or employment, traders, brokers, dealers in securities, insurance companies, banks, financial institutions, investment companies, tax-exempt organisations, persons connected with the Company or the Group, persons holding Ordinary Shares as part of hedging or conversion transactions, Shareholders who are not domiciled or not resident in the UK, collective investment schemes, trusts and those who hold five per cent. or more of the Ordinary Shares, are not considered. Nor do the following statements consider the tax position of any person holding investments in any HMRC approved arrangements or schemes, including the enterprise investment scheme, venture capital scheme or business expansion scheme. Levels and bases of taxation are subject to change. Any person who is in any doubt as to his tax position or who is resident for tax purposes outside the United Kingdom is strongly recommended to consult his professional advisers immediately.

### **17.2 Stamp Duty and Stamp Duty Reserve Tax**

Save in relation to non EU depository receipt arrangements or clearance services, where special rules apply, no charge to stamp duty or stamp duty reserve tax (“SDRT”) should arise on the issue of Placing Shares or on their registration in the names of applicants following a change to the stamp duty and SDRT legislation from 28 April 2014 after the Finance Act 2014 received Royal Assent in July 2014 which introduced the exemption for shares on a recognised growth market.

As a result of the change to the legislation referred to above, a subsequent transfer on the sale of Ordinary Shares will not be subject to stamp duty or SDRT for so long as the Company is admitted to trading on AIM, that AIM remains a recognised growth market and that the shares in the Company remain admitted to trading on AIM and no other market.



Should the recognised growth market exemption not apply, an agreement to transfer the shares in the Company will normally give rise to a charge to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable for the transfer. SDRT is, in general, payable by the purchaser.

In addition, should the recognised growth market exemption not apply, an instrument transferring the shares in the Company will generally be subject to stamp duty at the rate of 0.5 per cent. of the amount or consideration given for the transfer (rounded up to the nearest £5). The purchaser normally pays the stamp duty.

An exemption from stamp duty is also available on an instrument transferring the shares in the Company where the amount or value of the consideration is £1,000 or less, and it is certified on the instrument that the transaction effected does not form part of a larger transaction or series of transactions in respect of which the aggregate amount or value of the consideration exceeds £1,000.

If a duly stamped transfer instrument completing an agreement to transfer the shares in the Company is produced within six years of the date on which the agreement is made (or, if the agreement is conditional, the date on which the agreement becomes unconditional) any SDRT paid is generally repayable, normally with interest, provided that a claim for repayment is made and otherwise the SDRT charge is cancelled.

Special rules apply to market intermediaries, dealers and certain other persons and professional advice should be sought if these rules apply.

### 17.3 **Dividends**

The United Kingdom taxation implications relevant to the receipt of dividends on the Placing Shares are as follows:

There is no United Kingdom withholding tax on dividends.

Individual holders of Placing Shares will be taxable on the total of the dividend actually received. For the tax year 2017/18, the first £5,000 of dividend income received by an individual is subject to zero per cent. tax (it is proposed that this threshold will be reduced to £2,000 for the tax year 2018/19 and subsequent tax years). The rate of tax payable on dividends in excess of the above threshold is 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.

A holder of Placing Shares which is a company resident for tax purposes in the United Kingdom will have to pay corporation tax in respect of any dividends it receives from another company unless the dividends fall within an exempt class and certain other conditions are met. Whether an exempt class applies and whether the other conditions are met will depend on the circumstances of the particular UK resident company shareholder, although it is expected that the dividends paid would normally be exempt when received by a UK resident company shareholder.

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

A Shareholder who is an individual resident for tax purposes in the UK who sells or otherwise disposes of his Ordinary Shares may, depending on the circumstances, incur a liability to UK tax on any capital gain realised. The Shareholder's annual exemption if available (currently £11,300 for individuals) and any capital losses they have may reduce the capital gain subject to capital gains tax. Capital gains tax is charged at a rate of 20 per cent. where income and gains exceed the threshold for higher rate tax, and 10 per cent. if income and gains are below this level.

Corporate shareholders within the charge to UK corporation tax may be liable to corporation tax on any chargeable gains realised on the disposal of Ordinary Shares but will generally be entitled to indexation allowance in respect of these Ordinary Shares up until the date of disposal. To the extent certain conditions are met, it may be possible for chargeable gains realised on the disposal of shares to be exempt from UK corporation tax as a result of the substantial shareholding exemption. However, this is dependent on the circumstances at the time of the disposal and advice should be sought from your professional advisors.

A Shareholder who is not resident for tax purposes in the UK will not normally be liable for UK tax on capital gains realised on the disposal of his Ordinary Shares unless at the time of the disposal such Shareholder carries on a trade (which for this purpose includes a profession or vocation) in the UK through a permanent establishment and such Ordinary Shares are to have been used, held or acquired for the purposes of such UK permanent establishment.

#### 17.5 **Inheritance tax**

The Ordinary Shares will be assets situated in the United Kingdom for the purposes of United Kingdom inheritance tax. A gift of such assets by, or the death of, an individual holder of such assets may (subject to certain exemptions and reliefs) give rise to a liability to United Kingdom inheritance tax, even if the holder is neither domiciled in the United Kingdom nor deemed to be domiciled there (under certain rules relating to long residence or previous domicile). Generally, United Kingdom inheritance tax is not chargeable on gifts to individuals if the transfer is made more than seven complete years prior to death of the donor. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply to gifts where the donor reserves or retains some benefit. Special rules also apply to close companies and to trustees of settlements who hold Ordinary Shares, bringing them within the charge to inheritance tax. Holders of Ordinary Shares should consult an appropriate professional adviser if they make a gift of any kind or intend to hold any Ordinary Shares through such a company or trust arrangement, or in a situation where there is potential for a charge both to United Kingdom inheritance tax and to a similar tax in another jurisdiction, or if they are in any doubt about their United Kingdom inheritance tax position.

A relief from inheritance tax, known as business property relief, may apply to Ordinary Shares in trading companies once these have been held for two years. Where applicable this relief applies notwithstanding that the 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). Business property relief operates by reducing the value of shares by up to 100 per cent. for inheritance tax purposes.

- 17.6 Persons who are not resident in the United Kingdom 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 United Kingdom as at the date of this Document. The comments assume that Ordinary Shares are held as an investment and not as an asset of a financial trade and that any dividends paid are not foreign income dividends. If you are in any doubt as to your tax position, or are subject to tax in a jurisdiction other than the United Kingdom, you should consult your professional adviser.

### 18. **Other Information**

- 18.1 The accounting reference date of the Company is 28 February.
- 18.2 The total fees and expenses incurred (or to be incurred) by the Company of, and incidental to, the Placing and Admission are estimated to amount to approximately £5.9 million exclusive of VAT and are payable by the Company. These fees and expenses include (but are not limited to) accountancy fees, solicitors fees and the fees of the Nomad and the Broker.
- 18.3 Except for the material contracts referred to in paragraph 14 of this Part V, there are no contracts or agreements which are of fundamental importance to the Company's business.
- 18.4 Save as disclosed in this Document, the Company is not dependent on any patents, licences, industrial or commercial or financial contracts or new manufacturing processes which have a material effect on the Company's business or profitability.
- 18.5 None of the Directors perform any principal activities outside the Company that are significant with respect to the Company.
- 18.6 Except as stated in this Document, there have been no principal investments made by the Company during the last three financial years and there are no principal future investments on which firm commitments have been made.

- 18.7 Except as otherwise stated in this Document no person (excluding professional advisers named in the Document and trade suppliers) has received, directly or indirectly, from the Company within the 12 months preceding the Company's application to AIM, or has entered into any contractual arrangements with the Company to receive, directly or indirectly, from the Company on or after Admission fees totalling £10,000 or more, securities which have a value of £10,000 or more or any other benefit with a value of £10,000 or more at the date of Admission.
- 18.8 Grant Thornton UK LLP has given and not withdrawn its consent to the inclusion in Part III of this Document of its accountants report and references thereto in the form and context in which they appear and has authorised the contents of that report for the purposes of Schedule Two of the AIM Rules.
- 18.9 The auditors for the period covered by the financial information set out in Part III of this Document were Grant Thornton UK LLP, Chartered Accountants, of 4 Hardman Square, Spinningfields, Manchester M3 3EB.
- 18.10 GCA Altium has given and not withdrawn its written consent to the issue of this Document with the inclusion in it of references to its name in the form and context in which they appear. GCA Altium has no material interest in the Company.
- 18.11 Liberum has given and not withdrawn its written consent to the issue of this Document with the inclusion in it of references to its name in the form and context in which they appear. Liberum has no material interest in the Company.
- 18.12 Except as disclosed in this Document, there has been no significant change in the financial or trading position of the Company since 26 August 2017, being the date to which the historical financial information set out in Section B of Part III of this Document was prepared.
- 18.13 Save as disclosed in this Document, there are no environmental issues that the Directors have determined may affect the Company's utilisation of tangible fixed assets and the Directors have not identified any events that have occurred since the end of the last financial year and which are considered to be likely to have a material effect on the Company's prospects for the current financial year.
- 18.14 The financial information relating to the Company contained in this Document does not comprise statutory accounts for the purposes of section 431 of the 2006 Act.
- 18.15 There are no arrangements under which future dividends are waived or agreed to be waived.
- 18.16 The Company's registrar is Capita Asset Services.
- 18.17 Other than the current application for Admission, the Ordinary Shares have not been admitted to dealing on any recognised investment exchange nor has any application for such admission been made nor are there intended to be any other arrangements for dealings in the Ordinary Shares.
- 18.18 The Company confirms that where information in this Document has been sourced from a third party, the source of this information has been provided and information has been accurately reproduced. So far as the Company and the Directors are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

## 19. The Selling Shareholders

The names and business address of each Selling Shareholder and the number of Ordinary Shares to be sold by each Selling Shareholder pursuant to the Placing is set out below:

<u>Name</u>	<u>Business address</u>	<u>Relationship to the Company</u>	<u>Number of Ordinary Shares to be sold</u>
John Wardle . . . . .	c/o Footasylum plc Sandbrook Park Sandbrook Way Rochdale Lancashire OL11 1RY	Director	5,070,000
John Wardle and John Riches in their capacity as trustees of The John Wardle 2016 Settlement	c/o 16 Old Bailey London EC4M 7EG	Connected person of Clare Nesbitt	8,311,134*

\* The total number of Ordinary Shares to be sold by John Wardle and John Riches in their capacity as trustees of The John Wardle 2016 Settlement is split between separate sub funds, the beneficial interests of each of which are held as set out below:

<u>Beneficiary</u>	<u>Number of Ordinary Shares to be sold</u>
Thomas Makin . . . . .	2,560,824
Amy Mason . . . . .	4,650,310
Clare Nesbitt . . . . .	1,100,000

## 20. Documents Available for Inspection

20.1 Copies of this Document and the following documents will be available for inspection at the offices of Eversheds Sutherland (International) LLP at Eversheds House, 70 Great Bridgewater Street, Manchester M1 5ES during normal business hours on any weekdays (Saturdays and Public Holidays excepted) for 30 days from the Admission Date:

20.1.1 the Articles;

20.1.2 the historical financial information of the Company for the three financial years ended 22 February 2015, 27 February 2016 and 25 February 2017 and the 26 week period to 26 August 2017 as set out in Section B of Part III of this Document, together with the Accountants' Report set out in Section A of Part III of this Document; and

20.1.3 the consent letters from the Company's advisers referred to in paragraph 18 of this Part V.

20.2 Copies of this Document will be available free of charge to the public on the Company's website: [www.footasylum.com](http://www.footasylum.com).

The date of this Document is 27 October 2017.

**PART VI**  
**THE TERMS AND CONDITIONS OF THE PLACING**  
**(IMPORTANT INFORMATION ON THE PLACING FOR INVITED PLACEEES)**

MEMBERS OF THE PUBLIC ARE NOT ELIGIBLE TO TAKE PART IN THE PLACING. THESE TERMS AND CONDITIONS ARE FOR INFORMATION PURPOSES ONLY AND ARE DIRECTED ONLY AT: (A) PERSONS IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA WHO ARE QUALIFIED INVESTORS AS DEFINED IN SECTION 86(7) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000, AS AMENDED (“QUALIFIED INVESTORS”), BEING PERSONS FALLING WITHIN THE MEANING OF ARTICLE 2(1)(E) OF THE EU PROSPECTUS DIRECTIVE (WHICH MEANS DIRECTIVE 2003/71/EC AND INCLUDES ANY RELEVANT IMPLEMENTING DIRECTIVE MEASURE IN ANY MEMBER STATE) (THE “PROSPECTUS DIRECTIVE”); (B) IN THE UNITED KINGDOM, QUALIFIED INVESTORS WHO ARE PERSONS WHO (I) FALL WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE “ORDER”); (II) FALL WITHIN ARTICLE 49(2)(A) TO (D) (HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS, ETC) OF THE ORDER; OR (III) ARE PERSONS TO WHOM IT MAY OTHERWISE BE LAWFULLY COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS “RELEVANT PERSONS”). THESE TERMS AND CONDITIONS MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THESE TERMS AND CONDITIONS RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS.

**1. The Placing**

The Company will issue 25,274,390 New Shares pursuant to the Placing, and the Selling Shareholders shall sell 13,381,134 Ordinary Shares pursuant to the Placing.

Liberum has conditionally placed 38,655,524 Placing Shares at the Placing Price with certain institutional and qualified profession investors in circumstances which do not give rise to a public offer in respect of which the Company would be obliged to publish a prospectus. The Placing Shares will, in aggregate, represent 37.0 per cent. of the issued share capital of the Company on Admission.

Further details, terms and conditions of the Placing are set out in paragraphs 2 to 8 (inclusive) of this Part VI.

**2. Binding Terms and Conditions**

Each person that is invited to and which confirms its agreement (whether orally or in writing) to Liberum to subscribe for or acquire Placing Shares under the Placing (the “Placee”) will be bound by these terms and conditions and will be deemed to have accepted them.

Liberum may require any Placee to agree to such further terms and/or conditions and/or give such additional warranties and/or representations as it may, in its absolute discretion, see fit and/or may require such Placee to execute a separate placing letter.

Upon being notified by Liberum of the Placing Price and its allocation of Placing Shares in the Placing, each Placee shall be contractually committed to acquire the number of Placing Shares allocated to them at the Placing Price and, to the fullest extent permitted by law, will be deemed to have agreed not to exercise any rights to rescind or terminate or otherwise withdraw from such commitment. Dealing may not begin before any notification is made.

In the event that Liberum has procured acceptances from Placees in connection with the Placing prior to the date of the despatch of the Admission Document to a Placee, Liberum 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 the Admission Document of which these Terms and Conditions form part. Upon such confirmation being given (whether orally or in writing any agreement made in respect of the Placing Shares shall be varied, amended and/or ratified in accordance with the Terms and Conditions and based upon this Admission Document and no reliance may be placed by a Placee on any earlier version of this Document.

### **3. Agreement to Subscribe for or Acquire Placing Shares**

Conditional on: (i) Admission occurring not later than 8.00 a.m. on 2 November 2017 (or such later time and/or date as the Company, Liberum and GCA Altium may agree in writing, not being later than 8.00 a.m. on 30 November 2017); (ii) the Placing Agreement becoming otherwise unconditional in all respects and not having been terminated in accordance with its terms on or before Admission; and (iii) Liberum confirming to the Placees their allocation of Placing Shares, a Placee agrees to become a member of the Company and agrees to subscribe for or acquire those Placing Shares allocated to it by Liberum at the Placing Price. To the fullest extent permitted by law, each Placee acknowledges and agrees that it will not be entitled to exercise any remedy of rescission at any time. This does not affect any other rights the Placee may have.

The Company reserves the right, in its sole and absolute discretion, to scale back applications in such amounts as it considers appropriate. Each of Liberum and the Company also reserves the right to decline, in whole or in part, any application for Placing Shares pursuant to the Placing. Accordingly, applicants for Placing Shares may, in certain circumstances, not be allotted and/or sold the number of Placing Shares for which they have applied. The balance of subscription or acquisition monies in the event of scaling back (or unsuccessful applications) will be posted to applicants by cheque (or, in the case of payment by electronic transfer, transferred to the bank from which payment was made), without interest, at the applicant's own risk.

### **4. Payment for Placing Shares**

Each Placee must pay the Placing Price for the Placing Shares allocated to the Placee in the manner and by the time directed by Liberum as notified to it by Liberum. In the event of any failure by any Placee to pay as so directed and/or by the time required by Liberum, the relevant Placee shall be deemed hereby to have appointed Liberum or any nominee of Liberum as its agent to use its reasonable endeavours to sell (in one or more transactions) any or all of the Placing Shares in respect of which payment shall not have been made as directed by Liberum and to indemnify Liberum and its affiliates on demand in respect of any liability for stamp duty and/or stamp duty reserve tax or any other liability whatsoever arising in respect of any such sale or sales. A sale of all or any of such Placing Shares shall not release the relevant Placee from the obligation to make such payment for Placing Shares to the extent that Liberum or its nominee has failed to sell such Placing Shares at a consideration which after deduction of the expenses of such sale and payment of stamp duty and/or stamp duty reserve tax as aforementioned, is equal to or exceeds the Placing Price per Placing Share.

### **5. Selling and Transfer Restrictions**

5.1 The distribution of this document and the offer of the Placing Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any restrictions, including those set out in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

5.2 No action has been or will be taken in any jurisdiction that would permit a public offering of the Placing Shares, or possession or distribution of this document or any other offering material in any country or jurisdiction which action for that purpose is required. Accordingly, the Placing Shares may not be offered or sold, directly or indirectly, and neither this document nor any other offering material or advertisement in connection with the Placing Shares may be distributed or published in or from any country or jurisdiction except in circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this document comes should inform themselves about and observe any restrictions on the distribution of this document and the offer of the Placing Shares contained in this document. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This document does not constitute an offer to subscribe for any of the Placing Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

#### ***European Economic Area***

5.3 In relation to each Relevant Member State no Placing Shares have been offered or will be offered pursuant to the Placing to the public in that Relevant Member State, except that offers of Placing Shares may be made to the public in that Relevant Member State at any time under the following

exemptions under the Prospectus Directive, if they are implemented in that Relevant Member State:

- (a) to any legal entity which is a qualified investor as defined under the Prospectus Directive;
- (b) to fewer than 100, or if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of Liberum for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Placing 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 Placing Shares or to whom any offer is made under the Placing will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of the law in that relevant member state implementing Article 2(1)(e) of the Prospectus Directive.

5.4 For the purpose of the expression an “offer of any shares to the public” in relation to any Placing Shares in any Relevant Member State means a communication to persons in any form and by any means presenting sufficient information on the terms of the offer and the Placing Shares to be offered, so as to enable a placee to decide to acquire any Placing Shares, as the same may be varied for that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

5.5 In the case of any Placing Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Placing Shares acquired by it in the Placing have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to persons in circumstances which may give rise to an offer of any Shares to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of Liberum has been obtained to each such proposed offer or resale. The Company and Liberum and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified Liberum of such fact in writing may, with the prior consent of Liberum, be permitted to acquire Placing Shares in the Placing.

## **6. Representations and Warranties**

By agreeing to subscribe for or acquire the Placing Shares, each Placee who confirms its agreement to subscribe for or acquire Placing Shares will (for itself and any person(s) procured by it to subscribe for or acquire Placing Shares and any nominee(s) for any such person(s)) be deemed to irrevocably agree, undertake, represent, warrant and acknowledge to each of the Company, the Selling Shareholders, GCA Altium, the Registrar and Liberum that:

- 6.1 the exercise by Liberum or GCA Altium of any rights or discretion under the Placing Agreement shall be within the absolute discretion of Liberum and/or GCA Altium and Liberum and/or GCA Altium need not have any reference to a Placee and shall have no liability to a Placee whatsoever in connection with any decision to exercise or not to exercise any such right. Each Placee agrees that it has no rights against Liberum, GCA Altium, the Company or any of their respective directors and employees under the Placing Agreement pursuant to the Contracts (Rights of Third Parties) Act 1999;
- 6.2 in agreeing to subscribe for or acquire Placing Shares under the Placing, it is relying solely on this document and any supplementary admission document issued by the Company and not on any other information given, or representation or statement made at any time (including, without limitation, the roadshow presentation prepared by the Company or research by any party containing information about the Company), by any person concerning the Company, the Placing Shares, the Placing or Admission. It agrees that none of the Company, Liberum, GCA Altium nor any of their affiliates, nor any of their respective directors, officers, agents or

- employees, will have any liability for any other information or representation. It irrevocably and unconditionally waives any rights it may have in respect of any other information, representation or statements;
- 6.3 it acknowledges that the content of this document is exclusively the responsibility of the Company and the Board and none of GCA Altium, Liberum nor any person acting on their behalf nor any of their respective affiliates makes any representation, express or implied, nor accepts any responsibility whatsoever for the contents of this document nor for any information, representation or statement made or purported to be made by them or on its or their behalf in connection with the Company, the Placing Shares, the Placing or Admission;
- 6.4 it will indemnify on an after-tax basis and hold harmless the Company, GCA Altium and Liberum and their respective Affiliates and any person acting on their behalf from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the representations, warranties, acknowledgements, agreements and undertakings in these terms and conditions;
- 6.5 if the laws of any territory or jurisdiction outside the United Kingdom are applicable to its agreement to subscribe for or acquire Placing Shares under the Placing, it undertakes, represents and warrants that it is a person to whom the Placing Shares may be lawfully offered under that other jurisdiction's laws and regulations has complied with all such laws, obtained all governmental and other consents which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with its application in any territory and that it has not taken any action or omitted to take any action which will result in the Company, GCA Altium or Liberum or any of their respective affiliates or any of their respective officers, agents, employees or affiliates acting in breach of the regulatory or legal requirements, directly or indirectly, of any territory or jurisdiction outside the United Kingdom in connection with the Placing;
- 6.6 it does not have a registered address in, and is not a citizen, resident or national of, any jurisdiction in which it is unlawful to make or accept an offer of the Placing Shares and it is not acting on a non-discretionary basis for any such person;
- 6.7 it is liable for any capital duty, stamp duty, stamp duty reserve tax and all other stamp, issue, securities, transfer, registration, documentary or other duties or taxes (including any interest, fines or penalties relating thereto) payable outside the United Kingdom by it or any other person on the acquisition by it of any Placing Shares or the agreement by it to subscribe for or acquire any Placing Shares;
- 6.8 it agrees that, having had the opportunity to read this Document, it shall be deemed to have had notice of all information, undertakings, representations and warranties contained in this Document, that it is subscribing for or acquiring Placing Shares solely on the basis of this Document and no other information and that in accepting a participation in the Placing it has had access to all information it believes necessary or appropriate in connection with its decision to subscribe for Placing Shares;
- 6.9 it has carefully read and understands this Document in its entirety and acknowledges that it is subscribing for or acquiring Placing Shares on the terms, and subject to the conditions, set out in this Part VI and the Articles as in force at the date of Admission. Such Placee agrees that these terms and conditions and the contract note issued by Liberum to such Placee represent the whole and only agreement between the Placee, Liberum and the Company in relation to the Placee's participation in the Placing and supersede any previous agreement between any of such parties in relation to such participation. Accordingly, all other terms, conditions, representations, warranties and other statements which would otherwise be implied (by law or otherwise) shall not form part of these terms and conditions. Such Placee agrees that none of the Company, Liberum, GCA Altium nor any of their respective officers or directors will have any liability for any such other information or representation and irrevocably and unconditionally waives any rights it may have in respect of any such other information or representation;
- 6.10 save in the event of fraud on the part of Liberum or GCA Altium, none of Liberum, GCA Altium, their ultimate holding companies nor any direct or indirect subsidiary undertakings of such holding companies, nor any of their respective directors, officers and employees shall be



responsible or liable to a Placee or any of its clients for any matter arising out of Liberum's role as broker and sole bookrunner and/or GCA Altium's role as nominated adviser, or otherwise in connection with the Placing and that where any such responsibility or liability nevertheless arises as a matter of law, the Placee and, if relevant, its clients, will, to the fullest extent permitted by law, immediately waive any claim against any of such persons which the Placee or any of its clients may have in respect thereof;

- 6.11 it acknowledges that no person is authorised in connection with the Placing to give any information or make any representation other than as contained in this Document and, if given or made, any information or representation must not be relied upon as having been authorised by Liberum, GCA Altium or the Company;
- 6.12 it is not applying as, nor is it applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 67, 70, 93 or 96 (depository receipts and clearance services) of the Finance Act 1986;
- 6.13 it has such knowledge, sophistication and experience in financial and business matters that it is capable of evaluating the merits and risks of its subscription for or acquisition of the Placing Shares and it is able to bear the economic risk and financial risk (including sustaining a complete loss) of the subscription for or acquisition of such Placing Shares;
- 6.14 it is duly incorporated and validly existing under the laws of its jurisdiction of incorporation;
- 6.15 it has the power under its constitutional documents and has obtained all necessary consents and authorities (including, without limitation, all relevant members' resolutions) to subscribe for or acquire and pay for the Placing Shares comprised in the manner proposed and to enter into and perform its obligations pursuant to these terms and conditions, and there are no governmental or regulatory consents or other third party approvals, authorisations or orders required in order for it to subscribe and pay for the Placing Shares in the manner proposed and to enter into and perform its obligations pursuant to these terms and condition that have not been or will not prior to Admission have been obtained;
- 6.16 the agreement to subscribe for or acquire the Placing Shares and payment therefor will comply with and will not violate any agreements to which it is a party or by which it or any of its properties or assets is bound and which is material to its participation and its obligations in respect thereof and will constitute its valid and legally binding agreement and it has the funds available to make payment for the full amount in respect of the Placing Shares as and when due;
- 6.17 it accepts and acknowledges that (i) the Placing Shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws; (ii) the Company has not filed a prospectus or similar document with any applicable securities regulatory authority of any province or territory of Canada, no document in relation to the Placing has been or will be lodged with, or registered by, the Australian Securities and Investments Commission and no registration statement has been, or will be filed with the Japanese Ministry of Finance in relation to the Placing Shares; and (iii) subject to certain exceptions the Placing Shares may not be offered or sold directly or indirectly within Canada, Australia, Japan, the United States or the Republic of South Africa or to or for the account or benefit of any national, citizen or resident of such countries;
- 6.18 it will not offer, sell, renounce, transfer or deliver, directly or indirectly, any of the Placing Shares in Australia, Canada, Japan, the Republic of Ireland or the Republic of South Africa or to any national, resident or citizen of Australia, Canada, Japan, the Republic of Ireland or the Republic of South Africa other than as may be permitted under the applicable law in the relevant jurisdiction and it acknowledges that the Placing Shares have not been and will not be registered under the applicable securities laws of Australia, Canada, Japan, the Republic of Ireland or the Republic of South Africa and that the same are not being offered for subscription or sale, and may not, directly or indirectly, be offered, sold, transferred or delivered, in Australia, Canada, Japan or the Republic of South Africa other than as may be permitted under the applicable law in the relevant jurisdiction;

- 6.19 it accepts and acknowledges that there will be no public offer in the United States and the Ordinary Shares are offered by way of a placing of the Ordinary Shares to certain institutional and professional investors in the United Kingdom and elsewhere outside of the United States in reliance on Regulation S;
- 6.20 it acknowledges and agrees that it will not offer or sell any of the Placing Shares, directly or indirectly, in or into the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act;
- 6.21 if it is located in the United Kingdom, it is (i) a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) in the course of its business and are a “Qualified Investor” (as defined above) and it will acquire, manage and dispose of the Placing Shares (as principal or agent) for the purposes of its business and (ii) not intending to offer or sell or otherwise deal with the Placing Shares in any way which would result in an offer to the public in the United Kingdom within the meaning of FSMA or in any other jurisdiction or require registration or prospectus publication or similar actions in any other jurisdiction;
- 6.22 if it is receiving the offer in circumstances under which the laws or regulations of a jurisdiction other than the United Kingdom would apply, that it is a person to whom the Placing Shares may be lawfully offered under that other jurisdiction’s laws and regulations and in all cases capable of being categorised as a person who is a “professional client” or an “eligible counterparty” within the meaning of Chapter 3 of the FCA’s Conduct of Business Sourcebook;
- 6.23 to the extent that it is located outside the United Kingdom but in the EEA, it is a “Qualified Investor” (as defined above);
- 6.24 if it is outside the United Kingdom, neither this document nor any other offering, marketing or other material in connection with the Placing constitutes an invitation, offer or promotion to, or arrangement with, it or any person whom it is procuring to subscribe for or acquire Placing Shares pursuant to the Placing unless, in the relevant territory, such offer, invitation or other course of conduct could lawfully be made to it or such person and such documents or materials could lawfully be provided to it or such person and Placing Shares could lawfully be distributed to and subscribed for and held by it or such person without compliance with any unfulfilled approval, registration or other regulatory or legal requirements;
- 6.25 it acknowledges that it is an “investment professional” (within the meaning of Article 19(5) of the FPO) or a “high net worth company” (within the meaning of Article 49(2) of the FPO) and a “Qualified Investor” (within the meaning of section 86(7) of FSMA);
- 6.26 it confirms 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 it is permitted to do so pursuant to section 21 of FSMA;
- 6.27 it acknowledges that after giving effect to its subscription for or acquisition of the Placing Shares, it will inform the Company and Liberum if such acquisition will cause it to be required to make a notification to the Company in accordance with the AIM Rules and the DTRs;
- 6.28 it acknowledges that neither Liberum, GCA Altium nor any of their respective directors, officers, agents or employees or their respective affiliates nor any person acting on their behalf is making any recommendations to it, advising it regarding the suitability of any transactions it may enter into in connection with the Placing or providing any advice in relation to the Placing and participation in the Placing is on the basis that it is not and will not be a client of Liberum, GCA Altium nor any of their respective affiliates and that Liberum, GCA Altium and any of their respective affiliates do not have any duties or responsibilities to it for providing protection afforded to their respective clients or for providing advice in relation to the Placing nor, if applicable, in respect of any representations, warranties, undertakings or indemnities otherwise required to be given by it in connection with its application under the Placing;
- 6.29 it acknowledges that where it is subscribing for or acquiring Placing Shares for one or more managed, discretionary or advisory accounts, it is authorised in writing for each such account:

- (i) to subscribe for the Placing Shares for each such account; (ii) to make on each such account's behalf the representations, warranties and agreements set out in this document; and (iii) to receive on behalf of each such account any documentation relating to the Placing in the form provided by the Company and/or Liberum. It agrees that the provision of this paragraph shall survive any resale of the Placing Shares by or on behalf of any such account;
- 6.30 it acknowledges that neither the Placee nor, as the case may be, their clients, expect Liberum to have any duties or responsibilities to the Placee similar or comparable to the duties of "best execution" and "suitability" imposed by The Conduct of Business Source Book contained in The FCA's Handbook of Rules and Guidance, and that Liberum is not acting for the Placee or its clients, and that Liberum will not be responsible to the Placee or its clients for providing the protections afforded to its customers;
- 6.31 it irrevocably appoints any Director, duly authorised officer or employee and any director of Liberum to be its agent and on its behalf (without any obligation or duty to do so), to sign, execute and deliver any documents and do all acts, matters and things as may be necessary for, or incidental to, its subscription for or acquisition of all or any of the Placing Shares for which it has given a commitment under the Placing, in the event of its own failure to do so;
- 6.32 it accepts that if the Placing does not proceed or the relevant conditions to the Placing Agreement are not satisfied or the Placing Shares for which valid application are received and accepted are not admitted to trading on AIM for any reason whatsoever then none of the Company, the Selling Shareholders, GCA Altium and Liberum or any of their affiliates, nor persons controlling, controlled by or under common control with any of them nor any of their respective employees, agents, directors, officers, members, stockholders, partners or representatives, shall have any liability whatsoever to it or any other person;
- 6.33 in connection with its participation in the Placing it has observed all relevant legislation and regulations, in particular (but without limitation) those relating to money laundering and countering terrorist financing and that its application is only made on the basis that it accepts full responsibility for any requirement to identify and verify the identity of its clients and other persons in respect of whom it has applied. In addition, it warrants that it is a person: (i) subject to the Money Laundering Regulations 2017 in force in the United Kingdom; or (ii) subject to the Money Laundering Directive (2005/60/EC of the European Parliament and of the EC Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing); or (iii) acting in the course of a business in relation to which an overseas regulatory authority exercises regulatory functions and is based or incorporated in, or formed under the law of, a country in which there are in force provisions at least equivalent to those required by the Money Laundering Directive;
- 6.34 it agrees that, due to anti-money laundering and the countering of terrorist financing requirements, Liberum and/or the Company may require proof of identity of the Placee and related parties and verification of the source of the payment before the application can be processed and that, in the event of delay or failure by the Placee to produce any information required for verification purposes, Liberum and/or the Company may refuse to accept the application and the subscription or acquisition monies relating thereto. It holds harmless and will indemnify Liberum and/or the Company against any liability, loss or cost ensuing due to the failure to process this application, if such information as has been required has not been provided by it or has not been provided on a timely basis;
- 6.35 it agrees that it is aware of, has complied with and will comply with its obligations in connection with money laundering under the Proceeds of Crime Act 2002;
- 6.36 it acknowledges and agrees that information provided by it to the Company or the Registrar will be stored on the Registrar's computer system and manually. It acknowledges and agrees that for the purposes of the Data Protection Act 1998 (the "Data Protection Law") and other relevant data protection legislation which may be applicable, the Registrar is required to specify the purposes for which it will hold personal data. The Registrar will only use such information for the purposes set out below (collectively, the "Purposes"), being to: (i) process its personal data (including sensitive personal data) as required by or in connection with its holding of Placing Shares, including processing personal data in connection with credit and money laundering

checks on it; (ii) communicate with it as necessary in connection with its affairs and generally in connection with its holding of Placing Shares; (iii) provide personal data to such third parties as the Registrar may consider necessary in connection with its affairs and generally in connection with its holding of Placing Shares or as the Data Protection Law may require, including to third parties outside the United Kingdom or the European Economic Area; and (iv) without limitation, provide such personal data to the Company, Liberum and their respective associates for processing, notwithstanding that any such party may be outside the United Kingdom or the European Economic Area;

- 6.37 in providing the Registrar with information, that it has obtained the consent of any data subjects to the Registrar and their respective associates holding and using their personal data for the Purposes (including the explicit consent of the data subjects for the processing of any sensitive personal data for the Purposes). For the purposes of this document, “data subject”, “personal data” and “sensitive personal data” shall have the meanings attributed to them in the Data Protection Law;
- 6.38 the representations, undertakings and warranties contained in this Document are irrevocable. It acknowledges that Liberum, GCA Altium the Company and the Selling Shareholders and their directors, officers, agents and employees and their respective affiliates will rely upon the truth and accuracy of the foregoing representations and warranties and it agrees that if any of the representations or warranties made or deemed to have been made by its subscription for or acquisition of Placing Shares is no longer accurate, it shall promptly notify Liberum, GCA Altium, the Company and the Selling Shareholders;
- 6.39 where it or any person acting on behalf of it is dealing with Liberum, any money held in an account with Liberum on behalf of it and/or any person acting on behalf of it will not be treated as client money within the meaning of the relevant rules and regulations of the FCA which therefore will not require Liberum to segregate such money, as that money will be held by Liberum under a banking relationship and not as trustee;
- 6.40 any of its clients, whether or not identified to Liberum or any of its affiliates or agents, will remain its sole responsibility and will not become clients of Liberum, GCA Altium or any of its affiliates or agents for the purposes of the rules of the FCA or for the purposes of any other statutory or regulatory provision;
- 6.41 it accepts that the allocation of Placing Shares shall be determined by the Company (in consultation with Liberum) in its absolute discretion and that such persons may scale down any Placing commitments for this purpose on such basis as it may determine; and
- 6.42 time shall be of the essence as regards its obligations to settle payment for the Placing Shares and to comply with its other obligations under the Placing.

## **7. Supply and Disclosure of Information**

If Liberum or the Company or any of their agents request any information in connection with a Placee’s agreement to subscribe for or acquire Placing Shares under the Placing in order to comply with any relevant legislation, such Placee must promptly disclose it to them.

## **8. Miscellaneous**

- 8.1 The rights and remedies of Liberum, GCA Altium, the Selling Shareholders, the Registrar 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 of one will not prevent the exercise of others.
- 8.2 On application, if a Placee is an individual, that Placees may be asked to disclose in writing, or orally, his nationality and if a Placee is a discretionary fund manager, that Placee may be asked to disclose in writing or orally the jurisdiction in which its funds are managed or owned. All documents provided in connection with the Placing will be sent at the Placee’s risk. They may be returned by post to such Placee at the address notified by such Placee.
- 8.3 All documents will be sent at the Placee’s risk. They may be sent by post to such Placee at an address notified to Liberum.

- 8.4 Each Placee agrees to be bound by the Articles (as amended from time to time) once the Placing Shares, which the Placee has agreed to subscribe for or acquire pursuant to the Placing, have been acquired by the Placee. The contract to subscribe for or acquire Placing Shares under the Placing and the appointments and authorities mentioned in this Document and all disputes arising out of, or in connection with, its subject matter or formation (including non-contractual disputes or claims) will be governed by, and construed in accordance with, the laws of England and Wales. For the exclusive benefit of Liberum, GCA Altium, the Selling Shareholders, the Registrar and the Company, each Placee irrevocably submits to the jurisdiction of the courts of England and Wales and waives any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum. This does not prevent an action being taken against a Placee in any other jurisdiction.
- 8.5 In the case of a joint agreement to subscribe for or acquire Placing Shares under the Placing, references to a "Placee" in these terms and conditions are to each of the Placees who are a party to that joint agreement and their liability is joint and several.
- 8.6 Liberum and the Company each expressly reserve the right to modify the Placing (including, without limitation, their timetable and settlement) at any time before allocations are determined. Each Placee agrees that its obligations pursuant to these terms and conditions are not capable of termination or rescission.
- 8.7 The Placing is subject to the satisfaction of the conditions contained in the Placing Agreement and the Placing Agreement not having been terminated. Further details of the terms of the Placing Agreement are contained in paragraph 14.1 of Part V of this Document.
- 8.8 Monies received from applicants pursuant to the Placing will be held by Liberum until such time as the Placing Agreement becomes unconditional in all respects. If the Placing Agreement does not become unconditional in all respects by 8.00 a.m. 2 November 2017, or such later date as the Company and Liberum may agree in writing (not being later than 8.00 a.m. 30 November 2017), application monies will be returned without interest at the risk of the applicant.





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