

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this Document or as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended), who specialises in advising on the acquisition of shares and other securities if you are resident in the UK or, if not, from another appropriately authorised independent adviser.

This Document, which comprises an AIM admission document prepared in accordance with the AIM Rules for Companies, has been issued in connection with the application for admission of the entire issued and to be issued ordinary share capital of the Company to trading on AIM, a market operated by the London Stock Exchange. This Document does not constitute a prospectus within the meaning of section 85 of the FSMA and has not been drawn up in accordance with the UK Prospectus Regulation or approved by, or filed with, the FCA or any other competent authority.

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. It is expected that Admission will become effective, and dealings in the Ordinary Shares will commence, at 8.00 a.m. on 4 June 2021. 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. The New Ordinary Shares to be issued pursuant to the Fundraising will, on Admission, rank *pari passu* in all respects with the Existing Ordinary Shares, and will rank in full for all dividends and other distributions declared, made or paid on Ordinary Shares after Admission.

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

The Directors, whose names, business addresses and functions are set out on page 10 of this Document, and the Company accept responsibility, both individually and collectively, for all the information contained in this Document, and compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Directors and the Company (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 or which would make misleading any statement in this Document, whether of facts or of opinion. In connection with this Document, no person is authorised to give any information or make any representation other than as contained in this Document.

Prospective investors should read this Document in its entirety. An investment in the Company involves a significant degree of risk and prospective investors should consider carefully the risk factors set out in Part 2 of this Document.

The Artisanal Spirits Company plc

(incorporated in Scotland with registered number SC490305)

Institutional Placing, Member's Offer and Primary Bid Offer of 23,214,290 Ordinary Shares at an Offer Price of 112 pence per share

and

Admission of the Enlarged Share Capital to trading on AIM

Nominated Adviser, Sole Broker and Sole Bookrunner

N+1 SINGER

Nplus1 Singer Advisory LLP (the "**Nomad**") and Nplus1 Singer Capital Markets Limited ("**N+1 Singer**"), which are authorised and regulated in the United Kingdom by the FCA, are acting as nominated adviser, sole broker and sole bookrunner (as appropriate) to the Company in connection with the proposed Placing and Admission and will not be acting for any other person (including a recipient of this Document) or otherwise be responsible to any other person for providing the protections afforded to clients of N+1 Singer or the Nomad or for advising any other person in respect of the proposed Placing and Admission or any transaction, matter or arrangement referred to in this Document. The Nomad's responsibilities as the Company's nominated adviser under the AIM Rules for Nominated Advisers are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire shares in the Company in reliance on any part of this Document.

Apart from the responsibilities and liabilities, if any, which may be imposed on N+1 Singer or the Nomad by FSMA or the regulatory regime established thereunder, N+1 Singer and the Nomad do not accept any responsibility whatsoever for the contents of this Document, including its accuracy, completeness or verification or for any other statement made or purported to be made by them, or on their behalf, in connection with the Company, the Ordinary Shares, the Fundraising or Admission. Each of N+1 Singer and the Nomad accordingly disclaims all and any liability whether arising in tort, contract or otherwise (save as referred to above) in respect of this Document or any such statement.

A copy of this Document is available, subject to certain restrictions relating to persons resident in certain overseas jurisdictions, at the Company's website www.artisanal-spirits.com.

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IMPORTANT INFORMATION

1. General

Prospective investors should only rely on the information contained in this Document. No person has been authorised to give any information or make any representation other than those contained in this Document and, if given or made, such information or representation must not be relied upon as having been so authorised by the Company, the Directors, the Nomad or N+1 Singer or any of their respective affiliates, officers, directors, partners, employees or agents. No representation or warranty, express or implied, is made by the Nomad or N+1 Singer as to the accuracy or completeness of such information, and nothing contained in this Document is, or shall be relied upon as, a promise or representation by the Nomad or N+1 Singer as to the past, present or future. Without prejudice to any legal or regulatory obligation on the Company to publish a supplementary admission document pursuant to the AIM Rules for Companies, neither the delivery of this Document nor any subscription, sale or purchase made pursuant to this Document shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Group taken as a whole since the date of this Document or that the information in it is correct as of any time after the date of this Document.

The Company will update the information provided in this Document by means of a supplement to it if a significant new factor, material mistake or inaccuracy arises or is noted relating to the information included in this Document. Any supplementary admission document will be made public in accordance with the AIM Rules for Companies.

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

The distribution of this Document and the issue or purchase of Ordinary Shares in certain jurisdictions other than the United Kingdom may be restricted by law. No action has been taken by the Company to permit a public offering of Ordinary Shares or possession or distribution of this Document (or any other offering or publicity materials relating to Ordinary Shares) in any other jurisdiction where action for that purpose may be required or doing so is restricted by law. Accordingly, neither this Document nor any advertisement may be distributed or published in any other jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Document comes are required by the Company, the Nomad and N+1 Singer to inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

This Document does not constitute or form part of an offer to sell, or the solicitation of an offer to buy or subscribe for, Ordinary Shares to any person in any jurisdiction to whom or in which such offer or solicitation is unlawful.

Any reproduction or distribution of this Document, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Ordinary Shares offered hereby is prohibited.

Members of the public are not eligible to take part in the Placing. In connection with the Placing, N+1 Singer and any of its affiliates, acting as investors for their own accounts, may acquire Ordinary Shares, and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Ordinary Shares and other securities of the Company or related investments in connection with the Placing or otherwise. Accordingly, references in this Document to the Ordinary Shares being offered, subscribed, acquired, placed or otherwise dealt with should be read as including any offer to, or subscription, acquisition, dealing or placing by, N+1 Singer and any of its affiliates acting as investors for their own accounts. N+1 Singer does not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

N+1 Singer, the Nomad and their respective affiliates may have in the past engaged, and may in the future, from time to time, engage in transactions with, and provide various investment banking, financial advisory and other ancillary activities in the ordinary course of their business with the Company, in respect of which they have received, and may in the future receive, customary fees and commissions. As a result of these transactions, these parties may have interests that may not be aligned, or could possibly conflict, with the interests of investors.

Investors who acquire Ordinary Shares in the Fundraising will be deemed to have acknowledged that: (i) they have not relied on N+1 Singer, the Nomad or any affiliated person in connection with any investigation of the accuracy of any information contained in this Document for their investment decision; (ii) they have relied only on the information contained in this Document; and (iii) no person has been authorised to give any information or to make any representation concerning the Company or the Ordinary Shares (other than as contained in this Document) and, if given or made, any such other information or representation has not been relied upon as having been authorised by or on behalf of the Company, the Directors, the Nomad or N+1 Singer.

A draft of this Document was approved by PrimaryBid for the purposes of section 21 of FSMA and the terms of such approval limited the use of that draft as so approved for the purposes of the PrimaryBid Offer and the Member's Offer only. For the avoidance of doubt, PrimaryBid has not approved this Document for the purposes of section 21 of FSMA.

2. Notice to overseas persons

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

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

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

3. Investment consideration

Investing in and holding the Ordinary Shares involves financial risk. In making an investment decision, prospective investors must rely on their own examination, analysis and enquiry of the Company, this Document (including in particular the risk factors contained in Part 2 of this Document) and the Terms and Conditions of the Placing as set out in Part 5, the Terms and Conditions of the Member's Offer as set out in Part 6 and the Terms and Conditions of the PrimaryBid Offer as set out in Part 7 (as applicable) including the merits and risks involved. Prospective investors should inform themselves as to:

- the legal requirements within their own jurisdictions for the purchase, holding, transfer or other disposal of Ordinary Shares;
- any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of Ordinary Shares which they might encounter; and
- the income and other tax consequences which may apply in their own jurisdictions as a result of the purchase, holding, transfer or other disposal of Ordinary Shares or distributions by the Company, either on a liquidation and distribution or otherwise. Prospective investors must rely upon their own representatives, including their own legal and tax advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein.

This is a non-exhaustive list of points and prospective investors should consider their own personal circumstances before making an investment in the Company.

An investment in the Company should be regarded as a long-term investment. There can be no assurance that the Company's objective will be achieved.

It should be remembered that the price of the Ordinary Shares, and any income from Ordinary Shares, can go down as well as up.

This Document and any accompanying documents should be read in their entirety before making any investment in the Ordinary Shares. All Shareholders are entitled to the benefit of, are bound by, and are deemed to have notice of, the provisions of the Articles of Association, which are available at www.artisanal-spirits.com and which prospective investors should review.

4. Cautionary note regarding forward-looking statements

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

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Actual results and developments could differ materially from those expressed or implied by the forward-looking statements. Factors that might cause such a difference include, but are not limited to, the risk factors set out in Part 2 of this Document.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this Document are based on certain factors and assumptions, including the Directors' current view with respect to past or current trends, future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group's operations, results of operations, growth strategy and liquidity. Whilst the Directors consider these assumptions to be reasonable based upon information currently available, they may prove to be incorrect. Prospective investors should therefore specifically consider the risk factors contained in Part 2 of this Document that could cause actual results to differ before making an investment decision. Save as required by law or by the AIM Rules for Companies, the Company undertakes no obligation to publicly release the results of any revisions to any forward-looking statements in this Document that may occur due to any change in the Directors' expectations or to reflect events or circumstances after the date of this Document.

5. Presentation of financial and other information

Unless otherwise indicated, financial information in this Document, including the Group's historical financial information for the years ended 31 December 2018, 31 December 2019 and 31 December 2020, and the notes to that financial information, has been prepared in accordance with IFRS.

Information in this Document about the Group's revenue is presented in accordance with IFRS and represents the proceeds from the sale of goods and services, inclusive of duty and exclusive of VAT and other sales taxes. All sales related metrics (for example, average selling prices) are quoted on this revenue basis.

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.

This Document contains certain financial measures that are not defined or recognised under IFRS, including EBITDA and Adjusted EBITDA. EBITDA results from Group loss on ordinary activities before tax adjusted for interest, depreciation, amortisation and exceptional items. Adjusted EBITDA results from Group EBITDA adjusted for US tariffs and foreign exchange gains and losses. Information regarding EBITDA, Adjusted EBITDA or similar measures is sometimes used by investors to evaluate the efficiency of a company's operations and its ability to employ its earnings toward repayment of debt, capital expenditures and working capital requirements and the Directors believe these provide important alternative measures with which to assess the Group's performance. There are no generally accepted principles governing the calculation of EBITDA, Adjusted EBITDA or similar measures and the criteria upon which EBITDA, Adjusted EBITDA or similar measures are based can vary from company to company. EBITDA and Adjusted EBITDA, alone, do not provide a sufficient basis to compare the Company's performance with that of other companies and should not be considered by prospective investors in isolation or as a substitute for operating profit, revenue or any other IFRS measure as an indicator of operating performance, or as an alternative to cash generated from operating activities as a measure of liquidity.

6. Currency presentation

In this Document, references to:

- "pounds sterling", "£", "pence" and "p" are to the lawful currency of the United Kingdom;
- "US Dollars" and "\$" are to the lawful currency of the US; and
- "Euro" and "€" are to the lawful currency of the member states of the EU that adopt the single currency in accordance with the Treaty establishing the European Community.

Unless otherwise indicated, the financial information contained in this Document has been expressed in pounds sterling. The Group presents its financial statements in pounds sterling.

7. Research and market data

This Document contains information regarding the Group's business and the industry in which it operates and competes, which the Company has obtained from various third party sources. Where information contained in this Document has been sourced from a third party, the Company and the Directors confirm that such information has been accurately reproduced and, so far as they are aware and have been able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

8. No incorporation of website information

Without limitation, the contents of the Company's website, www.artisanal-spirits.com, or any website directly or indirectly linked to the Company's website do not form part of this Document and prospective investors should not rely on such information.

9. Interpretation

Certain terms used in this Document are defined and certain technical and other terms used in this Document are explained at the sections of this Document headed "Definitions" and "Glossary".

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

All references to legislation in this Document are to the legislation of the UK, in force as at the date of this Document unless the contrary is indicated. Any reference to any provision of any legislation or regulation shall include any amendment, modification, re-enactment or extension thereof.

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

10. Notice to prospective investors

The Member's Offer and the PrimaryBid Offer are offers to subscribe for transferable securities, the terms of which ensure that the Company is exempt from the requirement to issue a prospectus under the UK Prospectus Regulation. The aggregate total consideration for the Member's Offer and PrimaryBid Offer will not exceed €8,000,000 (or the equivalent in pounds sterling) and therefore the exemption from the requirement to publish a prospectus, set out in section 86(1) of FSMA, will apply.

This Document is only directed at persons in the UK who are: (i) for the purposes of the Member's Offer, Qualifying Society Members; (ii) for the purposes of the PrimaryBid Offer, UK retail clients of PrimaryBid; and (iii) for the purposes of the Placing, "qualified investors" within the meaning of Article 2(e) of the UK Prospectus Regulation, who (a) are persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"), (b) are high net worth companies, unincorporated associations etc falling within Article 49(2)(a) to (d) of the Order, or (c) are other persons to whom this Document may otherwise lawfully be communicated.

11. Target market assessment

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II, in the case of (a) and (b), to the extent that they form part of the domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (as may be amended from time to time, including, without limitation, by virtue of the European Union (Withdrawal Agreement) Act 2020); and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Ordinary Shares have been subject to a product approval process, which has determined that the Ordinary Shares are: (i) compatible with an end target market of (a) retail investors, (b) investors who meet the criteria of professional clients, and (c) eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, distributors should note that: the price of the Ordinary Shares may decline and investors could lose all or part of their investment; the Ordinary Shares offer no guaranteed income and no capital protection; and an investment in the Ordinary Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Placing, the PrimaryBid Offer or the Member's Offer. Furthermore, it is noted that, notwithstanding the Target Market Assessment, N+1 Singer will only procure investors for the Placing who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Ordinary Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Ordinary Shares and determining appropriate distribution channels.

FUNDRAISING AND ADMISSION STATISTICS

Offer Price per Ordinary Share	112 pence
Number of Ordinary Shares in issue immediately prior to Admission	56,212,916
Number of New Ordinary Shares to be issued by the Company pursuant to the Fundraising	13,392,858
Number of Sale Shares to be sold by the Selling Shareholders pursuant to the Fundraising	9,821,432
Total number of Placing Shares	20,420,180
Total number of Member's Offer Shares	2,360,673
Total number of PrimaryBid Offer Shares	433,437
Number of Ordinary Shares in issue on Admission	69,605,774
Percentage of the Enlarged Share Capital represented by the Placing Shares	29.3 per cent.
Percentage of the Enlarged Share Capital represented by the Member's Offer Shares	3.4 per cent.
Percentage of the Enlarged Share Capital represented by the PrimaryBid Offer Shares	0.6 per cent.
Gross proceeds of the Placing	£22.9 million
Gross proceeds of the Member's Offer	£2.6 million
Gross proceeds of the PrimaryBid Offer	£0.5 million
Gross proceeds of the Fundraising	£26.0 million
Estimated expenses of the Fundraising to be incurred by the Company	£1.8 million
Estimated net proceeds of the Fundraising to be received by the Company	£13.2 million
Estimated aggregate net proceeds of the Fundraising to be received by the Selling Shareholders	£10.6 million
Market capitalisation of the Company at the Offer Price on Admission	£77.96 million

DEALING CODES

ISIN	GB00BNXM3P96
SEDOL code	BNXM3P9
LEI	213800KX7VF2YZQW1892
TIDM	ART

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

2021

Publication of this Document	3 June
Issue of New Ordinary Shares	4 June
Admission and expected commencement of dealings in the Ordinary Shares on AIM	8.00 a.m. on 4 June
CREST accounts credited (where applicable)	4 June
Despatch of definitive share certificates (where applicable)	Within 14 days of Admission

Notes:

- (1) Each of the above dates is subject to change at the absolute discretion of the Company and N+1 Singer.
- (2) All of the times referred to above are references to London time.

DIRECTORS, COMPANY SECRETARY AND ADVISERS

Directors	Mark Roderick Hunter (<i>Non-Executive Chair</i>) Paul Henry Skipworth (<i>Non-Executive Deputy Chair</i>) David John Ridley (<i>Executive Managing Director</i>) Andrew William Dane (<i>Executive Finance Director</i>) Mark Francis Bedingham (<i>Non-Executive Director</i>) Gavin Wallace Hewitt (<i>Non-Executive Director</i>) Veronica Lesley Jackson (<i>Non-Executive Director</i>) Helen Margaret Page (<i>Non-Executive Director</i>) The business address of all of the Directors is at the Company's registered and head office
Registered and head office	The Vaults 87 Giles Street Edinburgh EH6 6BZ
Company website	www.artisanal-spirits.com
Company Secretary	William Bremner
Sole Bookrunner	Nplus1 Singer Capital Markets Limited One Bartholomew Lane London EC2N 2AX
Nominated Adviser and Sole Broker	Nplus1 Singer Advisory LLP One Bartholomew Lane London EC2N 2AX
Legal advisers to the Company	Dickson Minto W.S. 16 Charlotte Square Edinburgh EH2 4DF
Legal advisers to N+1 Singer and the Nomad	Pinsent Masons LLP Princes Exchange 1 Earl Grey Street Edinburgh EH3 9AQ
Reporting Accountant	BDO LLP Citypoint 65 Haymarket Terrace Edinburgh EH12 5HD
Auditors	Johnston Carmichael LLP 7-11 Melville Street Edinburgh EH3 7PE
Registrar	Link Market Services Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

DEFINITIONS

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

Act	the Companies Act 2006 (as amended)
Admission	admission of the Enlarged Share Capital to trading on AIM and such admission becoming effective in accordance with the AIM Rules for Companies
AIM	AIM, a market operated by the London Stock Exchange
AIM Rules for Companies	the AIM rules for companies published by the London Stock Exchange from time to time
AIM Rules for Nominated Advisers	the AIM rules for nominated advisers published by the London Stock Exchange from time to time
Articles or Articles of Association	the articles of association of the Company from time to time and including, where relevant, the new articles of association to be adopted effective from Admission
ASC Nominee Service	the nominee service provided by Link Market Services Trustees Limited to eligible Shareholders, in accordance with the terms and conditions applying to the ASC Nominee Service (a copy of which will be available on the platform operated by PrimaryBid in respect of the Member's Offer and the PrimaryBid Offer)
A Shares	A ordinary shares of 1 penny each of the Company, which are to be sub-divided and re-designated as Ordinary Shares immediately prior to Admission
Board	the board of directors of the Company from time to time
B Shares	B ordinary shares of 1 penny each of the Company, which are to be sub-divided and re-designated as Ordinary Shares immediately prior to Admission
Company, Artisanal Spirits Company or ASC	The Artisanal Spirits Company plc, a public limited company incorporated in Scotland with company number SC490305 and having its registered office at The Vaults, 87 Giles Street, Edinburgh EH6 6BZ
Concert Party	the concert party in relation to the Company, details of which are set out in paragraph 21.2 of Part 4
Covid-19	a new strain of coronavirus that led to a global pandemic in 2020
CREST	the relevant system, as defined in the CREST Regulations, in respect of which Euroclear UK & Ireland Limited is the operator in accordance with which securities may be held in uncertificated form
CREST Regulations	the Uncertificated Securities Regulations 2001 of the UK (SI 2001 No. 3755) (as amended)
Directors	the directors of the Company as at the date of this Document
Document	means this admission document

Enlarged Share Capital	the issued ordinary share capital of the Company on Admission (including the New Ordinary Shares issued by the Company pursuant to the Fundraising)
EU	the European Union
EU Prospectus Regulation	Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC
Existing Ordinary Shares	the 8,304,166 A Shares and 5,749,063 B Shares in issue immediately prior to Admission (and prior to the issue of the New Ordinary Shares)
FCA	the UK Financial Conduct Authority
FSMA	the Financial Services and Markets Act 2000 (as amended)
Fundraising	the Placing, Member's Offer and Primary Bid Offer
FY16	the Company's financial reporting period for the 12 months ended 31 December 2016
FY17	the Company's financial reporting period for the 12 months ended 31 December 2017
FY18	the Company's financial reporting period for the 12 months ended 31 December 2018
FY19	the Company's financial reporting period for the 12 months ended 31 December 2019
FY20	the Company's financial reporting period for the 12 months ended 31 December 2020
FY21	the Company's financial reporting period for the 12 months ending 31 December 2021
Group	the Company and its subsidiary undertakings
HH Declaration of Trust	the declaration of trust that each of the investors that make up the HotHouse Syndicate has entered into with HIL
HIL	HIL (Nominees) Limited, a company incorporated in Scotland with company number SC432607 and having its registered office at c/o Inverleith LLP, 43 Melville Street, Edinburgh, Scotland, EH3 7JF
HMRC	HM Revenue & Customs
HotHouse Syndicate	a syndicate of investors who hold their Existing Ordinary Shares through HIL and whose investment in the Company is managed by Inverleith LLP
IFRS	International Financial Reporting Standards as adopted by the EU
Inverleith ASC	Inverleith (ASC) Limited, a private limited company registered in Scotland with company number SC572097 and having its registered office at 43 Melville Street, Edinburgh, Scotland EH3 7JF, which acts as the investment vehicle through which Inverleith Limited Partnership holds its investment in the Company

Inverleith Limited Partnership	Inverleith Limited Partnership, a private fund limited partnership registered in Scotland with registered number SL032673 and having its registered office at 43 Melville Street, Edinburgh, Scotland EH3 7JF, which is managed by Inverleith LLP
Inverleith LLP	Inverleith LLP, a limited liability partnership registered in Scotland with registered number SO302623 and having its registered office at 43 Melville Street, Edinburgh, Scotland EH3 7JF
Legacy Options	options over, in aggregate, 3,672,504 Ordinary Shares that were granted by the Company prior to Admission and which remain unvested and unexercised as at Admission
Lock-up and Orderly Market Agreements	the lock-up and orderly market agreements entered into by the Lock-up Shareholders, as described in paragraph 11.4 of Part 4
Lock-up Shareholders	the Directors (excluding Lesley Jackson and Helen Page), Kai Ivalo, Jan Damen, Euan Campbell, Inverleith ASC, Ben Thomson, Mehdi Shalfrooshan and John Dunsmore who are restricted from selling their Ordinary Shares for a predetermined time in accordance with a Lock-up and Orderly Market Agreement
London Stock Exchange	London Stock Exchange plc
LVMH	LVMH Moët Hennessy – Louis Vuitton SE, a company incorporated in France and having its registered office at 22 Avenue Montaigne, FR-75008, Paris, France
Member's Offer	the offer made to Qualifying Society Members to acquire Ordinary Shares at the Offer Price
Member's Offer Shares	the 2,360,673 Ordinary Shares which have been acquired, subject to Admission, by Qualifying Society Members at the Offer Price pursuant to the Member's Offer
N+1 Singer	Nplus1 Singer Capital Markets Limited, a private limited company incorporated in England and Wales with company number 05792780 and having its registered office at One Bartholomew Lane, London EC2N 2AX, acting in its capacity as the Company's sole bookrunner and placing agent
New Ordinary Shares	the 13,392,858 new Ordinary Shares to be issued by the Company pursuant to the Fundraising, subject to Admission
New Share Option Scheme	The Artisanal Spirits Company plc 2021 Long-Term Incentive Plan
Nomad	Nplus1 Singer Advisory LLP, a limited liability partnership registered in England and Wales with number OC364131 and having its registered office at One Bartholomew Lane, London EC2N 2AX, the Company's nominated adviser and sole broker
Nominated Adviser and Broker Agreement	the agreement dated 14 February 2020 and made between the Nomad and the Company relating to the appointment of the Nomad to act as the Company's nominated adviser and broker following Admission, further details of which are set out in paragraph 11.2 of Part 4 of this Document
Offer Price	112 pence per Ordinary Share

Ordinary Shares	prior to Admission, the A Shares and B Shares and, upon and following Admission, the ordinary shares of 0.25 pence each in the capital of the Company
Placees	subscribers for the New Ordinary Shares and purchasers of Sale Shares as procured by N+1 Singer on behalf of the Company and the Selling Shareholders respectively, pursuant to the Placing Agreement
Placing	the conditional placing of the Placing Shares by N+1 Singer as agent for and on behalf of the Company and the Selling Shareholders pursuant to the terms of the Placing Agreement
Placing Agreement	the conditional agreement dated 28 May 2021 and made between N+1 Singer, the Nomad, the Company, the Directors and the Selling Shareholders relating to the Placing, further details of which are set out in paragraph 11.1 of Part 4 of this Document
Placing Shares	the New Ordinary Shares issued in accordance with the Placing and the Sale Shares purchased in accordance with the Placing
Pre-IPO Reorganisation	the steps taken by the Company to reorganise its share capital in connection with Admission, as described in paragraph 4.6 of Part 4 of this Document
PrimaryBid	PrimaryBid Limited, a private limited company incorporated in England and Wales with registered number 08092575 and having its registered office at 21 Albermarle Street, London W1S 4BS
PrimaryBid Engagement Letter	the agreement between the Company and PrimaryBid with respect to the Member's Offer and the PrimaryBid Offer dated 20 April 2021, further details of which are set out in paragraph 11.3 of Part 4 of this Document
PrimaryBid Offer	the placing by the Company of the PrimaryBid Offer Shares at the Offer Price with PrimaryBid's UK retail clients
PrimaryBid Offer Shares	the 433,437 Ordinary Shares which have been acquired, subject to Admission, at the Offer Price pursuant to the PrimaryBid Offer
QCA Code	the Quoted Companies Alliance's Corporate Governance Code published from time to time
Qualifying Society Members	members of The Scotch Malt Whisky Society who had a registered address in the UK on the society's database as at 11:59 p.m. on 20 April 2021 and who have registered to participate in the Member's Offer
RBS	The Royal Bank of Scotland Public Limited Company, a company incorporated in Scotland with company number SC083026 and having its registered office at 36 St. Andrew Square, Edinburgh EH2 2YB
RBS Facility Agreement	the committed revolving credit facility of £18.5 million which the Company entered into with RBS on 19 January 2021, further details of which are set out in paragraph 11.9 of Part 4 of this Document
Registrar	Link Market Services Limited, a company incorporated in England and Wales with company number 2605568 and having its registered

	office at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
Registrar Agreement	the registrar agreement between the Company and the Registrar, further details of which are set out in paragraph 11.6 of Part 4 of this Document
Related Shareholders	Ben Thomson, Paul Skipworth, Michael Atkinson, Mark Bedingham, John Dunsmore and Andrew Knowles
Relationship Agreement	the relationship agreement between the Company, the Nomad, Inverleith ASC and the Related Shareholders, further details of which are set out in paragraph 11.5 of Part 4 of this Document
Sale Shares	the 9,821,432 Ordinary Shares being sold on behalf of the Selling Shareholders pursuant to the Fundraising
Securities Act	the US Securities Act of 1933, as amended
Selling Shareholders	those persons whose names and business addresses are set out in paragraph 19 of Part 4 of this Document
Shareholder	a holder of Ordinary Shares
The Scotch Malt Whisky Society	the Group's flagship brand, under which name SMWS principally trades
SMWS	The Scotch Malt Whisky Society Limited, a company incorporated in Scotland with company number SC083022 and having its registered office at The Vaults, 87 Giles Street, Edinburgh EH6 6BZ
SMWS China	The Scotch Malt Whisky Society Limited, a private company incorporated in Hong Kong with company number 2550448 and whose registered office is at Suite 3101, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong
SMWS Japan	The Scotch Malt Whisky Society Japan Limited, a private company incorporated in Japan with company number 0104-01-133949 whose registered office is at Quaranta 1966-406, 1-4-10 Jiyugaoka, Merguro-ku, Tokyo, Japan
Takeover Code	the UK City Code on Takeovers and Mergers, as updated from time to time
Takeover Panel	the UK Panel on Takeovers and Mergers
UK MAR	the Market Abuse Regulation (2014/596/EU) to the extent that it forms part of the domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018 (as may be amended from time to time, including, without limitation, by virtue of the European Union (Withdrawal Agreement) Act 2020)
UK Prospectus Regulation	the UK version of the EU Prospectus Regulation which is part of UK law by virtue of the European Union (Withdrawal) Act 2018 (as may be amended and supplemented from time to time (including, but not limited to, by the UK Prospectus Amendment Regulations 2019 and The Financial Services and Markets Act 2000 (Prospectus) Regulations 2019))
UK or United Kingdom	the United Kingdom of Great Britain and Northern Ireland

United States or **US**

the United States of America, its territories and possessions, any state in the United States of America, the District of Columbia and all other areas subject to its jurisdiction

GLOSSARY

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

ABV	Alcohol by volume, a standard measure of how much pure alcohol is contained in an alcoholic beverage by volume																		
B2B	Business to business																		
CAGR	Compound annual growth rate																		
Cask wood	A cask, being the wooden barrel that whisky and other spirits are stored in during the maturation process. The type of wood and the previous contents of the cask (for example a cask previously used to store sherry) play an important part in the maturation process and influence the finish or flavour of the whisky or other spirit																		
CPA	Cost per member acquisition																		
CRM	Customer relationship management																		
D2C	Direct to consumer																		
Distillery	A primary production facility where whisky and other spirits are produced through the process of distilling																		
IWSR	The International Wines and Spirits Record, a private organisation which is a widely used source of market segmentation data and data on global alcoholic beverage trends																		
Premium, Super-Premium and Ultra-Premium	<p>The use of these terms in this Document is in line with the IWSR price bands on spirit categories as set out below:</p> <table> <tr> <td></td><td style="text-align: right;"><i>Amount in pounds sterling for a 70cl bottle</i></td></tr> <tr> <td><i>Price Band</i></td><td></td></tr> <tr> <td>Prestige-Plus</td><td style="text-align: right;">Over 225.00</td></tr> <tr> <td>Prestige</td><td style="text-align: right;">75.00 to 224.99</td></tr> <tr> <td>Ultra-Premium</td><td style="text-align: right;">35.00 to 74.99</td></tr> <tr> <td>Super-Premium</td><td style="text-align: right;">28.75 to 34.99</td></tr> <tr> <td>Premium</td><td style="text-align: right;">22.50 to 28.74</td></tr> <tr> <td>Standard</td><td style="text-align: right;">13.50 to 22.49</td></tr> <tr> <td>Value</td><td style="text-align: right;">13.49 and under</td></tr> </table> <p>In this Document references to market sizes or market shares are taken to include the IWSR price band referenced and all bands above the band referenced. For example, references to the Premium market includes products falling within each of the Premium, Super-Premium, Ultra-Premium, Prestige and Prestige-Plus price bands.</p>		<i>Amount in pounds sterling for a 70cl bottle</i>	<i>Price Band</i>		Prestige-Plus	Over 225.00	Prestige	75.00 to 224.99	Ultra-Premium	35.00 to 74.99	Super-Premium	28.75 to 34.99	Premium	22.50 to 28.74	Standard	13.50 to 22.49	Value	13.49 and under
	<i>Amount in pounds sterling for a 70cl bottle</i>																		
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Prestige-Plus	Over 225.00																		
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Super-Premium	28.75 to 34.99																		
Premium	22.50 to 28.74																		
Standard	13.50 to 22.49																		
Value	13.49 and under																		
put and call options	An option to buy shares from another party at an agreed price (the call option) or to sell shares to another party at an agreed price (the put option)																		
SECR	The streamlined energy and carbon reporting guidance published by the UK Government																		

single cask Scotch malt whisky

As used in this Document means (as distinct from the formal Scotch Whisky Association's ("**SWA**") definition of the term "single cask") a premium class of whisky in which each bottle comes from the contents of a single individual cask (which may have been re-racked) rather than the more common process for bottled single malt Scotch whiskies of blending together the contents of various casks from the same distillery to provide uniformity of colour and taste. Decisions on the appropriate route for these SMWS whiskies are based on providing the best possible quality and flavour to members of The Scotch Malt Whisky Society. As at the date of this Document, the significant majority of casks curated by the Group fall within the SWA definition of "single cask" with the balance being single casks of whisky which have then had a final period of additional maturation in another cask to develop their flavour or provide greater variety.

PART 1

INFORMATION ON THE GROUP AND MARKET OPPORTUNITY

1. Introduction

The Artisanal Spirits Company plc is the holding company of the Group, whose principal operating subsidiary, SMWS, trades under the Group's flagship brand, The Scotch Malt Whisky Society. SMWS is the leading curator and provider of premium single cask Scotch malt whisky and other spirits for sale primarily online to a discerning global membership. SMWS has a presence in over 30 international markets including both the US and China.

The single cask, single malt Scotch whiskies sold by SMWS fall exclusively within the IWSR Ultra-Premium or higher retail sales price bands, and are available exclusively to members of The Scotch Malt Whisky Society with each release being limited in supply to the volume extracted from the source cask. Members benefit from exclusive access to whiskies carefully curated by an expert tasting panel. SMWS releases regular batches of new whiskies throughout the year and hosts events for both members and non-members. SMWS also offers a range of other spirits such as single cask Bourbon, Indian whisky and Japanese whisky, as well as single cask Armagnac, Cognac, gin and rum.

2. Key strengths

The Directors believe that the success of the Group and their expectations for continued growth are founded on the following key strengths:

2.1 *Unique, award-winning products*

SMWS is focused on providing premium single cask spirits. With an average whisky cask yielding around 250 bottles each time, each release is by its very nature a limited edition with exclusive characteristics.

The Group's objective is to bring together spirits from some of the world's best spirits producers, add value by managing the maturation process and provide exclusive access to a vast and unique range of outstanding single cask Scotch malt whisky and other spirits to The Scotch Malt Whisky Society's global membership.

In the last three years, SMWS' Scotch malt whisky and other spirits have been recognised with a total of almost 200 awards from seven of the leading industry bodies including the 'Best in Show' win at the Luxury Masters, the Scotch Whisky Masters, top awards in the International Wine and Spirits Competition, the International Spirits Challenge, the Ultimate Spirits Challenge and the San Francisco World Spirits Competition.

2.2 *Proven track record of growth*

The Company has a track record of consistent growth. Between FY16 and FY19, revenues almost doubled from £7.6 million to £14.6 million, representing a CAGR of 24 per cent. In FY20 revenue growth excluding sales from UK venues and events, which were significantly impacted by the Covid-19 pandemic, was 22 per cent.

2.3 *Loyal and growing membership base*

At the heart of SMWS' unique market positioning is its subscription-based membership model. A key driver of the Group's financial performance has been The Scotch Malt Whisky Society's expanding global membership, which has grown at a CAGR of 7 per cent. since December 2016. There are now approximately 28,000 members of The Scotch Malt Whisky Society across the globe.

At December 2020, average UK member retention was at 75 per cent. in relation to all members and at 85 per cent. for those members renewing after more than one year of membership. Since 2002, the average membership tenure for UK and European members is nine years. Membership loyalty not only provides a strong platform from which to recruit new members and develop brand awareness, but also generates a predictable recurring revenue stream in the form of annual membership fees.

2.4 **Creating value and high margins**

In contrast to conventional spirits retailers and resellers, the Group engages in both spirit and cask selection and in active management of the maturation process, which accounts for a significant proportion of the flavour profile of the finished product, in the same manner as a distillery. However, the Group is not a primary producer of spirits and so is able to create award-winning products without the burden of the additional capital investment required to operate a distillery.

This value-added proposition combined with an e-commerce led business (over 86 per cent. of sales online and over 95 per cent. of sales made through D2C channels in 2020) generates high margins. During FY20, the average selling price for a 70cl bottle (excluding VAT) was £76 which generated approximately £49 of gross profit per bottle (excluding US tariff costs).

The Directors believe that there are a number of opportunities to further improve the margin profile of the business, such as purchasing younger stock, sherry cask finishing and in-sourcing some elements of the Group's supply chain.

2.5 **Strong e-commerce metrics**

SMWS' D2C subscription membership model and heavy concentration of online sales affords the opportunity to provide a rich suite of customer and financial data which is used to inform both sales and marketing activity, membership recruitment and strategic business development planning. The Scotch Malt Whisky Society exhibits strong membership metrics. Key metrics for the financial year ended 31 December 2020 were as follows:

Average annual revenue per member	£531
Global member retention rate	70 per cent.
Average lifetime value ("LTV")	£932
Average member acquisition cost ("CPA")*	£65
Average LTV/CPA ratio	14.4x

** CPA has been estimated using a dataset of around 4,500 new UK members recruited during 2019 and 2020 which the Directors consider to be a good proxy for CPA across the global membership.*

Additionally, the Directors believe that the Company has demonstrated better than average e-commerce metrics during 2020:

UK and Europe

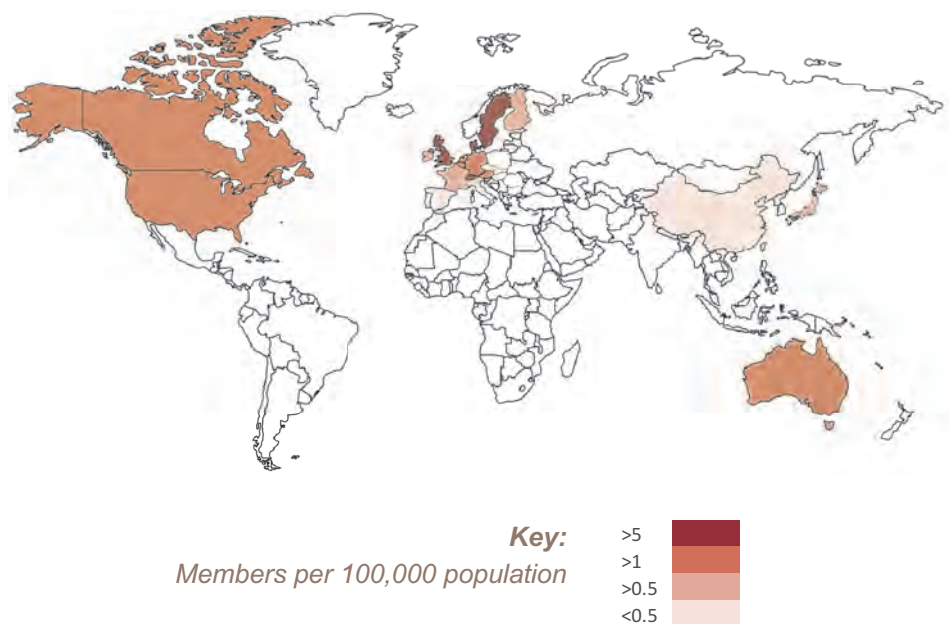
Email open rate	54 per cent. (January to November 2020)
Click through rate	11 per cent. (January to November 2020)
Website bounce rate	15 per cent. (April to September 2020)
Conversion rate	15 per cent. (April to September 2020)
Average order value	£112 (April to September 2020)

In the US, the Directors believe that targeted online marketing has driven growth in member spend, increasing by 145 per cent. to \$0.9 million during the period January to November 2020.

2.6 **International footprint**

The Group has successfully developed The Scotch Malt Whisky Society brand internationally and it currently has approximately 28,000 members spread across 30 countries. International members (being those resident outside of the UK) comprised 51.6 per cent. of the total December 2020 membership base, yet represented 68.5 per cent. of the Group's total FY20 sales and therefore represent the most profitable demographic.

Importantly, SMWS has a presence across a number of key international whisky markets including the US, China and Japan as well as a number of major European markets such as France, Germany and Sweden.



Source: Company data and management analysis

2.7 **Quality assurance**

Both the selection of cask spirit from distilleries and the maturation process are carried out under the supervision of the Group's Spirits Director with a view to ensuring that the final outturn represents the finest quality spirits and flavour profiles.

2.8 **Vast stock holding**

Between FY18 and FY20, the Company purchased approximately £13.4 million of cask stock. As at 31 December 2020, the Group had over 14,000 casks (equivalent to approximately 4.3 million standard 70cl bottles) of whisky in its reserves. To put this into context, this is approximately 26 times the volume sold during FY20.

This extensive stock base not only provides mitigation against any potential shortages of supply but, when coupled with SMWS' approach of producing limited edition spirits, represents the potential for over 14,000 new product lines. This provides the Group with greater flexibility as it is not constrained by requirements to reproduce a particular age or flavour profile of spirit.

As at 31 December 2020, the Group's spirit stock had a book value of £18.7 million (principally reflecting the initial purchase cost of the spirit but also including related costs such as storage). Management estimate, based on the FY20 average SMWS selling price (excluding VAT) per bottle of £76 and the 4.3 million standard bottle equivalent held in stock, that the implied retail value of the Group's current spirit stock is approximately £330 million.

The Group maintains a complex spirit stock purchase model designed to balance stock purchases with projected demand from The Scotch Malt Whisky Society's global membership over the long term. The model demonstrates that the Group already holds in stock a mix of spirits of the right age and flavour profiles to fulfil 95 per cent. of all future bottlings implicit within an illustrative growth scenario which builds to £40 million of revenue in 2026 (with headroom to continue to grow thereafter).

2.9 **Diverse and secure supply chain**

To ensure ongoing security of supply, the Group has developed long-term relationships with a large number and a wide variety of distilleries, which range from large scale producers to new market entrants. This is demonstrated by the current composition of the Group's maturing cask stock, which comprises over 200 different makes from over 100 distilleries and by the Group's forward purchase commitments for new make spirit (which the Group will mature), with agreements already in place for the supply of around 190,000 bottles per annum until 31 December 2022.

3. Market opportunity

3.1 Market size, trends and SMWS' positioning

The share of the global spirits market represented by the premium spirits segment has outpaced growth in the total market, climbing to 10 per cent. of total global spirits sales in 2019 and this is forecast to increase further to 13 per cent. by 2024.

The following table provides a breakdown of the global Scotch whisky market by price band (excluding duty free sales):

<i>Segment</i>	<i>£/bottle (70cl)</i>	<i>Market size (\$ billion) (2010 – 2019)</i>	<i>CAGR</i>
Prestige-Plus	225.00+	0.7	27%
Prestige	75.00-224.99	1.1	11%
Ultra-Premium	35.00-74.99	3.8	9%
Subtotal – Ultra-Premium and above		5.5	10%
Super-Premium	28.75-34.99	3.2	9%
Premium	22.50-28.74	5	1%
Standard and below	Up to 22.49	12.9	2%
Total		26.7	4%

Source: IWSR (market size represents 2019 data)

Whisky is the largest category by value within the global spirits market accounting for approximately \$74 billion of total consumer spend in 2019, of which Scotch whisky had the largest share at \$30 billion (of which approximately \$27 billion excluding duty free sales is shown in the table above) making it the most valuable and recognised spirit category in the world.

The global Ultra-Premium Scotch malt whisky market has experienced a much faster rate of growth than the overall market, recording a CAGR of 10 per cent. between 2010 and 2019, reaching \$5.5 billion of annual sales in 2019, in comparison, the remaining lower price bands have grown by a CAGR of 2 per cent. over the same period. SMWS' products fall exclusively within the Ultra-Premium, Prestige and Prestige-Plus spirits categories with 96.9 per cent. of its current spirits sales being single cask Scotch malt whisky. On the basis of IWSR 2019 data for the Ultra-Premium and above market of \$5.5 billion, the Directors estimate the value of the Group's current addressable market to be \$4.2 billion, this being the total size of the market (excluding duty free sales) within the price bands specified from the geographical markets in which SMWS already operates. On the same basis, the Directors estimate the value of the Group's current addressable market in the top eight geographical markets in which SMWS operates at \$3.2 billion and SMWS' current aggregate market share in those territories at only 0.4 per cent. with a peak market share of only 1.1 per cent. in the UK.

3.2 Global Addressable Market Analysis

<i>Market</i>	<i>Global Addressable Market (\$ million) (2019)</i>	<i>Global Addressable Market Growth (2010-2019)</i>	<i>SMWS 2020 Whisky Sales (\$ million)</i>	<i>SMWS % Share</i>
United States	1,502	323%	3.1	0.2%
Taiwan	424	116%	0.3	0.1%
China	412	120%	3.8	0.9%
United Kingdom	327	157%	3.7	1.1%
Germany	156	239%	0.9	0.6%
Japan	147	158%	0.9	0.6%
Australia	140	354%	0.7	0.5%
France	113	81%	0.2	0.2%
Top 8 Markets	3,222	203%	13.5	0.4%
Other Current Markets	604	206%	2.0	0.3%
Top Current Markets	3,826	204%	15.4	0.4%
Markets Within Reach	397	190%	0.0	0.0%
Total Addressable Market	4,222	202%	15.4	0.4%

Source: IWSR database, Management analysis

The US alcohol e-commerce market grew at a triple digit growth rate between 2010 and 2019, with American consumers demonstrating a preference for convenience and a willingness to accept higher prices relative to in-store shopping.

According to IWSR, China represents the world's largest alcohol e-commerce market with Chinese consumers most willing to increase online spend in comparison to in-store shopping. TMall and JD.com are the largest e-commerce providers of alcohol in this region.

3.3 Supportive market trends

The Directors believe that rising global demand for premium spirits is driven by changing lifestyles, consumption patterns and habits, increasing disposable income and an increasing trend towards consumption of premium products where provenance and authenticity are key factors. They consider the following observable trends in the spirits market to be favourable to the Company's business model.

- (i) **The artisanal spirits boom:** With the increasing demand for innovation, new flavours and quality, the global craft spirits industry is forecast to exhibit 25 per cent. CAGR to 2025. SMWS embodies the essential characteristics of the craft producer. Each product release is both finite and exclusive by virtue of the individual characteristics of the cask from which it is derived, with each cask yielding on average 250 bottles of spirit.
- (ii) **Preferences of Millennials:** The Directors believe that the Millennial consumer is a key demographic for the industry. Young adult drinkers have an appetite for unusual flavours and stimulating experiences. SMWS' combination of award winning venues, direct membership engagement via tastings and events, hosted both physically and online, and the availability, at any point in time, of hundreds of different single cask Scotch malt whiskies across twelve flavour profiles (please refer to section 5 of this Part 1 for further detail on the flavour profiles), together with a range of alternative Ultra-Premium through to Prestige-Plus single cask spirits, is directly relevant to the Millennial cohort.
- (iii) **Trend towards premiumisation:** Whisky is considered to be an affordable luxury item, leading many distilleries to launch more Premium and Super-Premium products into the market. This has driven growth in Ultra-Premium and Prestige category sales, as consumers drink less volume but better quality spirits, mirroring trends in other premium consumer sectors. The Company's positioning within the Ultra-Premium through to Prestige-Plus price bands is strongly aligned with this trend.

- (iv) **Focus on authenticity:** Whisky's heritage and prestige have long been central to marketing campaigns by established global spirits brand owners and premium whisky is widely synonymous with both authenticity and quality. Malt whisky has performed particularly well in recent years, benefitting from the current consumer trend in favour of authentic, high-quality products. The SMWS range of over 12 year old Scotch malt whiskies represents over 30 per cent. of current SMWS sales volumes, ahead of leading single malt whisky brands and consistent with this broad market theme.
- (v) **The rise of e-commerce:** Consumers are increasingly prioritising convenience in their purchasing decisions. Consequently, more are choosing to buy items online from the comfort of their own home as opposed to visiting physical locations. This behavioural trend has been accelerated by the Covid-19 pandemic which has amplified the perceived benefits of uninterrupted access to products and the Directors foresee no easing of this trend given increasing consumer awareness, lifestyle factors and demographics. Beverage alcohol e-commerce value grew by 42 per cent. in 2020, to reach \$24 billion. Going forward the Directors anticipate the global average of online alcohol sales to increase and this will be supportive of the Company's business model. IWSR data highlights that the US alcohol e-commerce market grew by 80 per cent. in 2020 and is forecast to grow six-fold between 2019 and 2024.

The structural barrier inhibiting established drinks producers from developing their own online sales platforms is that virtually all their sales are currently transacted through wholesalers and retailers, either into the off-trade or on-trade. The producers have a vested interest in protecting this longstanding business model by avoiding actions which undermine these relationships. By contrast, other than to ensure compliance with the three tier regulatory system in the US, the Group has no wholesale distribution or third party reseller conflicts as over 90 per cent. of its sales in FY18 to FY20 were D2C (96 per cent. in FY20). This gives the Group the opportunity to build its own online distribution globally, with the regular supply of limited edition products curated by SMWS making the model economically attractive.

4. History and development

SMWS was formed in 1983 by Philip "Pip" Hills to buy single cask Scotch malt whiskies, bottle them straight from the cask and sell them to friends who in turn became the first subscribing members of The Scotch Malt Whisky Society. Subsequent growth has been overseen by several owners. After 20 years of operation and its first fundraise (a share offer to members in 1996), SMWS was acquired by The Glenmorangie Company Limited in 2004, which provided the funding, resources and structure SMWS needed to expand beyond its existing geographical reach and to deepen its product offering. Later that year, The Glenmorangie Company Limited was acquired by LVMH.



In 2015, two years after its thirtieth anniversary, SMWS was acquired by ASC, a newly formed holding company established for the purpose of the acquisition and funded by the HotHouse Syndicate.

The Company received a further capital injection in 2018 in the form of a £4.0 million equity subscription by Inverleith ASC. With supportive, entrepreneurial shareholders the business has been transformed, with revenues doubling between FY16 and FY19; capital investment to quadruple stock-in-cask between

December 2015 and December 2020; and a focus on growing revenues in key export markets, with a global membership base now numbering approximately 28,000 and international revenues representing 68.5 per cent. of FY20 sales versus 24.9 per cent. in FY15. In addition, driven by demand and changing consumer behaviour, SMWS has continued to invest in its digital offering, strengthening its e-commerce platform. During 2020, ASC raised further equity capital of £1.0 million through a rights issue to existing shareholders and in January 2021 executed a new, increased and committed revolving credit facility of £18.5 million with RBS secured against the Company's spirits stock and other assets.

5. Business model and operations

The Artisanal Spirits Company plc is the holding company of the Group, whose principal operating subsidiary, SMWS, trades under the Group's flagship brand, The Scotch Malt Whisky Society. SMWS is the leading curator and provider of premium single cask Scotch malt whisky and other spirits for sale primarily online to a discerning global membership, thereby connecting a portfolio of premium spirits distilled by some of the world's finest producers with a growing movement of consumers.

The Scotch Malt Whisky Society

The Scotch Malt Whisky Society is a leading whisky membership organisation offering a wide selection of single cask Scotch malt whisky bottled straight from the cask.

There are around 28,000 members worldwide, of which approximately half are in the UK and the rest are spread around the world with the US, China and the EU being key sales territories.

SMWS selects casks from over 100 primary producers to meet its specific requirements and actively manages the maturation process which is key to developing a variety of flavour profiles, before bottling the finished product to retail directly to members of The Scotch Malt Whisky Society. SMWS products span the Ultra-Premium and Prestige-Plus market segments, with prices typically ranging from £45 to over £1,500 per bottle, in tune with the growing premiumisation of spirits as a product category.

SMWS releases dozens of new whiskies per month chosen by SMWS' expert tasting panel who are selected through a rigorous internal process and who have a proven track record of selecting award-winning whiskies. This is an additional assurance of quality. The allocation of new stock releases to Group companies operating in different territories (including franchises) is managed centrally to ensure a regular supply of new releases and flavour profiles into each of the Group's established territories, in turn reflecting anticipated demand from the local membership base. A key differentiator is the SMWS policy of not revealing the name of the distillery on the label. This discourages preconceived notions or biases in relation to individual distilleries, encouraging the consumer to focus instead on the flavour. However, perhaps of more significance to the longevity of SMWS' business model is that, by protecting the identity of the original producer, SMWS products do not compete for brand recognition with its partner distillers.

Whilst the Group's focus and key product is single cask Scotch malt whisky, SMWS also sells a range of other premium single cask spirits such as single cask Bourbon, Indian whisky and Japanese whisky, as well as single cask Armagnac, Cognac, gin and rum. SMWS has extended the philosophy of using only the best quality of cask and actively managing the maturation process to produce what the Directors believe to be a unique palette of spirits flavours.

Engaging membership experience

In the UK members of The Scotch Malt Whisky Society subscribe a basic membership fee of £65 per year to enjoy the benefits of tasting events, subscription to the monthly, fully digital, award winning "Unfiltered" magazine, members-only access to the Group's hospitality venues and, most importantly, exclusive access to new whiskies and spirits released and featured in the monthly "Outturn" magazine. These can be purchased by members of The Scotch Malt Whisky Society either online, at venues or by mail or telephone order.

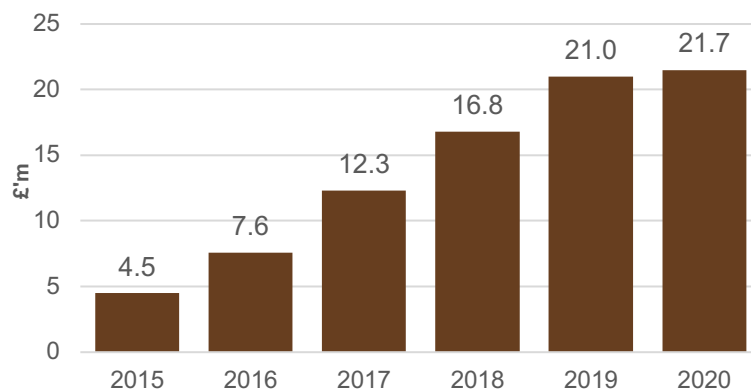


SMWS' venues reflect the ethos of the membership experience and act as a "shop window" for current and potential new members. From its spiritual home at The Vaults in Leith, Edinburgh SMWS has expanded its presence to four physical locations in the UK (The Vaults, Farringdon in London, Queen Street in central Edinburgh and Bath Street in Glasgow) where members can drink and purchase whisky or sample high quality food. To replicate the UK membership experience overseas, the Group has developed a global network of over 100 selected partner bars in over 20 countries.

Extensive whisky stocks represent a store of future value

Alongside a near doubling of revenue since 2016, the Group has in parallel developed a much larger and broader stock base, with the book value of spirits stock (including bottled stock and dry goods) having increased by over £17.0 million between December 2015 and December 2020 and the book value of cask wood having increased by over £1.7 million over the same period.

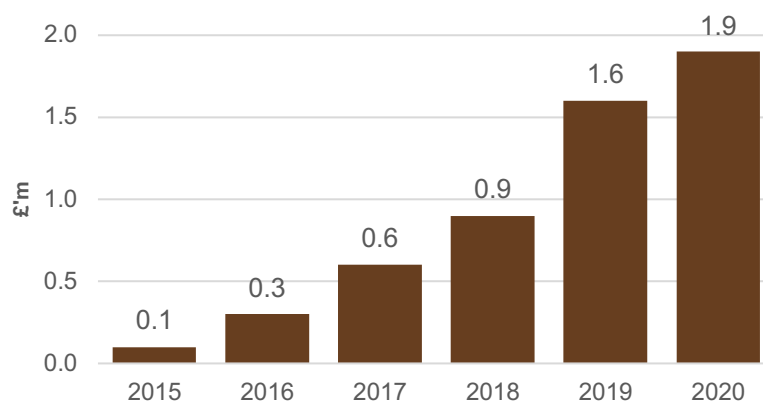
Inventory book value



Source: Company data

Note: includes spirit in cask (£18.7 million at 31 December 2020) as well as bottled stock and dry goods (e.g. bottles, labels and corks)

Cask wood book value



Source: Company data

There are around 130 active malt whisky distilleries in Scotland and the Group has established relationships with a wide range of producers for the acquisition of cask spirit, underwriting its ability to offer a regular stream of fresh bottlings to The Scotch Malt Whisky Society's global membership. Presently the Group has over 200 different makes of whisky maturing in cask from over 100 distilleries. No distillery make represents more than 3 per cent. of stock, with the top 10 representing 24 per cent. in aggregate, of planned 2021 cask usage, while 26 per cent. of total volume (50 per cent. by value) is represented by more desirable and therefore expensive vintages over 12 years old.

SMWS has always sought to deliver innovative ideas and first brought a Japanese whisky to its members around 20 years ago. In order to continue to improve the proposition over the years, management has extended its range of products to include whisky and other spirits from a variety of countries such as the US, Japan, India and Ireland as well as working with producers of Armagnac, Bourbon, Cognac, gin, rum and other spirits. SMWS also launched its first small batch blended malt whisky in 2017. This has led SMWS to introduce a more diverse range of intriguing spirits to its global membership.

Online sales platform and D2C channel

SMWS' e-commerce platform facilitates direct sales to the global membership of The Scotch Malt Whisky Society. E-commerce has grown from 57 per cent. of SMWS sales in 2017 to 68 per cent. in 2019 and 86 per cent. in 2020 (accelerated by the trading restrictions imposed on hospitality venues since the outbreak of the Covid-19 pandemic). This online D2C offering is in stark contrast to the conventional B2B industry distribution chain which is typically facilitated by wholesale intermediaries through licenced retail outlets to the end consumer. The SMWS' D2C model (comprised of e-commerce sales and SMWS' UK venues) allows it to capture more of the value chain and to generate gross margins which compare favourably with existing UK quoted spirits groups.

	FY17	FY18	FY19	FY20
e-commerce as % of SMWS sales	57%	64%	68%	86%
D2C as % of SMWS sales	88%	90%	91%	96%
Gross profit as % of sales	59%	60%	58%	59%
Gross profit (excluding US tariffs) as % of sales	59%	60%	59%	63%

Source: Company data

Note: There were no US tariffs applicable in FY17 and FY18.

SMWS' bottles are sold principally through its own website (in the UK, www.smws.com) with local delivery networks fulfilling orders in each country. SMWS does not sell to any third party online or physical distributors or resellers other than in China and the US.

The Group has enhanced the online purchase experience through continuous development of its web platform and the related in-store digital look. By way of example, stock positions are now integrated into the website so members can see in real-time the number of bottles left from each cask, the quarterly "Unfiltered" magazine is now published online and the number and variety of virtual tasting events has been increased during the Covid-19 lockdown.

The balance of the Group's revenues, beyond online sales, comprise direct sales to members through physical channels (principally SWMS's UK venues), which together with online sales represent approximately 96 per cent. of total sales through D2C channels in FY20, and the remainder constituting indirect sales through the Group's global network of partner bars. The Group supplies its partner bars directly, based on retail pricing (rather than traditional discounted wholesale/on trade route to market), thus ensuring that all sales essentially attract D2C margins.

Strong membership metrics

At the heart of ASC's unique market positioning is its subscription-based membership model. The Scotch Malt Whisky Society recruits new members in a variety of ways, through social media engagement, online search optimisation, affiliates on social media, industry events, SMWS venues and a member referral programme. Global membership now totals approximately 28,000, representing 7 per cent. CAGR in membership numbers since 2016.

Membership growth

	<i>Members (000's, at 31 December)</i>		
	<i>2018</i>	<i>2019</i>	<i>2020</i>
UK	13.4	14.1	13.7
Europe	1.8	2.8	3.3
Australia	1.2	1.2	1.1
China	0.7	0.9	1.1
Japan	1.1	1.2	1.4
South East Asia	0.1	0.2	0.2
US	3.2	3.9	4.4
Franchises	2.9	3.0	3.1
	<u>24.3</u>	<u>27.3</u>	<u>28.3</u>

Source: Company data

The Scotch Malt Whisky Society is experiencing strong growth in international membership, with a 16 per cent. CAGR in non-UK members between 2018 and 2020. In the UK, SMWS venues have long been an integral part of the membership offer and the recruitment of new members in the UK has, understandably, stalled during lockdown measures imposed in the UK as a result of Covid-19. To illustrate the point, The Scotch Malt Whisky Society added almost 1,000 new members through SMWS venues in the UK during 2019, whereas the equivalent number in the six months to March 2021 (with all UK venues closed other than in respect of bottle sales) was 42. The Directors expect UK membership numbers to continue to experience a drag effect during the first half of 2021 as a direct result of ongoing trading restrictions on SMWS venues in the UK, with recruitment activity anticipated to recover thereafter as lockdown restrictions are lifted.

The table below analyses key membership metrics for the financial year ended 31 December 2020:

FY20 Key Membership Metrics:

	<i>Members (000's)</i>	<i>Contribution/ Member (£)</i>	<i>Retention</i>	<i>Lifetime (years)</i>	<i>Lifetime Value (£)</i>
UK	13.7	168	75%	4.1	682
US	4.4	231	54%	2.2	500
Japan	1.4	323	75%	4	1,309
Australia	1.1	313	73%	3.8	1,180
Europe	3.3	210	75%	4	833
Franchises	3.1	190	81%	5.4	1,018
South East Asia	0.2	416	58%	2.4	994
China	1.1	2,114	24%	1.3	2,777
Total/Average	<u>28.3</u>	<u>276</u>	<u>70%</u>	<u>3.4</u>	<u>932</u>

Source: Management information. Member numbers shown to the nearest hundred. Years calculated as one divided by churn, where churn equals one minus retention.

The analysis demonstrates an average lifetime value across ASC's global membership of £932, based on an average annual profit per member of £276 and an average member lifetime of 3.4 years.

A key attraction of the business model is the rapid payback on cost per member acquisition ("**CPA**"). The Directors estimate the CPA for UK members to be approximately £65, which they believe to be a reasonable proxy for CPA across the Group's global membership. The full CPA amount is, on average, recovered upfront through the average new member initial spend of around £100, giving day one payback, and approximately four times year one payback, and the resulting estimated lifetime payback per member is approximately 14.4 times CPA.

International footprint

The Group has evolved its previously UK-centric operations and now has an established and rapidly growing international presence. In FY20 the Group derived 68.5 per cent. of sales from outside the UK with members in over 30 countries worldwide. Notably, 43 per cent. of membership growth in the last four years has come from the US and China alone, where average spend per member is appreciably higher than in the UK. The reduction in average spend per UK member in 2020 is a direct consequence of the closure of SMWS' UK venues for a major part of the financial year, with UK online sales growing over 30 per cent. in FY20 and over 50 per cent. in the first quarter of 2021 versus first quarter of 2020.

Membership development:

	<i>Dec-18</i>	<i>Dec-19</i>	<i>Dec-20</i>	<i>CAGR 2018-20</i>
UK				
Members (000's)	13.4	14.1	13.7	3%
Revenue per member (£)	412	420	344	(9%)
Contribution per member (£)	217	217	170	(11%)
International				
Members (000's)	10.9	13.2	14.6	16%
Revenue per member (£)	609	673	712	8%
Contribution per member (£)	332	354	377	7%

Source: Company data

Up until 2015, the overseas memberships were mostly run by franchisees, however the majority have since been brought back in-house (though franchises remain in a number of markets including Canada, Denmark, Switzerland and Taiwan). The SMWS USA trade mark was acquired from the former US franchisee in 2016 and agreements with a new set of US three tier system partners put in place. These strategic moves have allowed the Company to capture more of the value chain, better control development of The Scotch Malt Whisky Society brand and boost membership numbers. In the US, brand development is focused on online recruitment and retention, whilst in Europe this effort has been supported by the rollout of a new dedicated website (smws.eu) in Q1 2021. The Group will also look to continue the strong performance of operations which have recently transitioned from franchise status, such as in Australia. However, new franchise operations will continue to be explored as they often represent a relatively low cost, low risk means of entering new geographical markets, with conversion to an owned operation typically determined by operational scale and business economics. The most recent example of this was the establishment of the South African franchise in the first quarter of 2021.

SMWS' operations in China and Japan have been structured as joint ventures for strategic business development reasons. The minority joint venture partner in China is Christina Leung, the managing director of SMWS in China; and in Japan is Mark Bedingham, a non-executive Director of the Company. Under International Accounting Standards, the Group recognises 100 per cent. of the revenue and net profit attributable to these joint venture operations, with the minority partner's interest being accounted for as a deduction from profits available for distribution. The minority interests are the subject of put and call options agreements between the Company and the minority partner, which arrangements are summarised in paragraphs 11.8.1 and 11.8.2 of Part 4.

SMWS in the US

SMWS employs fundamentally the same membership model in the US as it does in the rest of the world. Prospective members, domiciled in the US, pay an annual membership fee of \$99 to join The Scotch Malt Whisky Society in America. Members have access to the UK venues as well as to partner bars in California, Washington State, Washington DC, Tennessee, Oregon and Illinois and to the full range of approximately 20 new single cask Scotch malt whiskies released each month in the monthly “Outturn” magazine for members.

The principal difference in the Group’s operating model in the US is the mechanism by which orders are fulfilled, due to the unique three tier regulatory system for alcohol distribution in the US which ensures the separation of the three functions of alcohol production/importation, wholesale distribution and retail sale to the consumer. Common ownership of any of the three tiers is prohibited. Accordingly, all SMWS partners in the US are third party operators and the Group’s fulfilment mechanism in the US is as follows: SMWS sells products to ABCK Corp., its appointed US import agent, in the UK. ABCK Corp. then imports the products into the US (specifically, New York state) and sells them on to US resident consumers via a US retailer, Rye Brook. The consumer takes ownership of the relevant products in New York state, paying all relevant New York state taxes, and, once ownership has transferred to the consumer, arrangements are made for the product to be transported to the consumer at their delivery location of choice. The consumer is responsible for all onward taxes and duties.

SMWS in China

The membership model in China is similar to that in the rest of world. Prospective members, domiciled in China, pay a membership fee of ¥550 to join The Scotch Malt Whisky Society in China. Members have access to the UK venues as well as 17 partner bars in first and second tier Chinese cities, in addition to accessing the new whiskies released each month via “Outturn”.

Where China fundamentally differs to the rest of the world is that in addition to the SMWS partner bars, members in China can buy SMWS bottlings via three SMWS “store fronts” via independent, online third party channels (WeChat, Tmall and JD.com), rather than through a dedicated SMWS website.

China is the Group’s fastest growing market (having been launched in quarter four of 2017) with revenue growing by approximately 29 per cent. in 2020 to around £3 million, representing a significant 20 per cent. of Group sales. Average revenue per member in China is considerably higher than the remainder of The Scotch Malt Whisky Society’s global membership base, at £2,746 in 2020. However, member retention is lower, at 24 per cent. in 2020. This retention rate in part reflects the greater proportion of new members joining in 2020, where new “year one” members typically have a lower retention rate rather than other members in all markets.

Single cask Scotch malt whisky

SMWS’ single cask Scotch malt whisky is aimed at the premium/luxury end of the whisky market, where consumers are discerning in their tastes, seeking exclusivity and superior quality. In contrast to spirits retailers and resellers, the Group’s business model extends vertically across the value chain by including the selection and purchase of both casks and new-make spirits, as well as the active management of the maturation process, just as a distillery would do. As a result, whilst SMWS does not own any distilleries, it operates in many respects like a primary producer – an important differentiator and feature of the investment case. The process results in SMWS “producing” a best in class spirit, as evidenced by its strong track record of winning leading industry accolades.

As single casks can only produce a limited amount of whisky, there is a limited supply of any particular release. SMWS releases dozens of new whiskies every month, each of which has been carefully selected and approved by its expert tasting panel. Each variant is named in accordance with one of SMWS’ 12 flavour profiles, which have been developed by the tasting panel. Each bottle is accompanied with its own tasting notes to enhance the buying experience of members, by ensuring they are well informed and more likely to make purchasing decisions which are suited to their tastes.

Importantly, 60 per cent. of a spirit's final flavour comes from the maturation process and SMWS achieves its unique palette of 12 flavour profiles through a combination of:

- selecting best-in class single malt spirit, which has often recently been transferred into a new cask;
- maturing spirits in its specially selected casks; and
- not undertaking any blending with whisky from other casks or chill filtering.



To ensure a regular stream of original releases, the Group purchases stock through a range of different age profiles, from “new make” to whiskies which have been in the cask for over 25 years, and sourcing product from a variety of distilleries across over 20 countries.

6. Growth strategy

The Group's growth strategy to achieve sustainable revenue growth and profitability is based on four key pillars:

6.1 *Developing the membership base and geographic expansion*

During the Covid-19 pandemic, the Group, in common with broader trends across the consumer sector, experienced a pronounced shift in consumer preferences towards online shopping. The Directors intend to exploit this structural change by building upon the Group's existing online sales channels and focusing on digital member recruitment initiatives. Additionally, the Group will look to enhance the membership value proposition of The Scotch Malt Whisky Society in order to increase member retention.

The Directors acknowledge that there is a significantly larger addressable market for the Group's unique range of premium spirits outside the UK. In recent years, the Group has established operations in key international whisky markets and the Directors will seek to make further investments in high growth or emerging spirits markets.

The Company will also explore opportunities to expand the number of physical SMWS venues, on a selective basis, both in the UK and potentially overseas, provided that the Board is confident of generating an acceptable return on capital invested.

6.2 *Enhance e-commerce channels*

Much of the Group's recent growth can be attributed to the success of its online platform. The Directors intend to make further investments in the e-commerce platform in the UK whilst rolling out this proposition to other territories. They also expect to replace the current CRM systems with an upgraded and integrated CRM platform equipped with the tools to facilitate more targeted marketing campaigns. Additionally, by continually developing online content and events, such as virtual tastings, they anticipate improved purchasing experiences and higher levels of member engagement.

6.3 *Increasing margins and value creation*

The Group generated a gross margin (excluding US tariffs) of 63 per cent. in the financial year ended 31 December 2020. The Directors believe that there is scope to improve this through a combination of financial and operational initiatives. Buying greater quantities of younger spirits, which are cheaper

than aged stocks, will reduce the input cost per bottle. It is also expected that insourcing elements of the Group's current supply chain could provide cost effective solutions which would also reduce stock movements. The Group also intends to increase the proportion of sherry cask maturation which the Directors believe is increasingly in demand and would result in higher priced products, thus further enhancing the value creation process.



6.4 **New brands**

The Directors intend to extend the Company's addressable market by launching two new brands, J.G. Thomson & Co. and The American Whiskey Society, each of which will be an independent concept with a differentiated product line. The Company's successful historical expansion of SMWS provides a blueprint for future growth.

J.G. Thomson & Co.

J.G. Thomson & Co. is Scotland's oldest wine merchant and a leading independent whisky blender, whose origins date back to the 18th century. The firm of J.G. Thomson & Co. was founded by James Gibson Thomson, who in 1785 leased what is today the spiritual home of SMWS, The Vaults in Leith, Edinburgh.



The Company acquired the legal rights to the J.G. Thomson & Co. brand in 2017 with the vision of reviving its renowned blended whisky heritage. In addition to diversifying the Company's operations

into the fast growing blended malt whisky segment, the Directors expect to extend the J.G. Thomson & Co. brand offering into other spirits categories, further expanding the Group's addressable market. Unlike SMWS, it is anticipated that J.G. Thomson & Co. will not operate under a membership model and that in addition to a D2C e-commerce offering, J.G. Thomson & Co. products will also be available through traditional channels such as specialist retail outlets.

The Company intends to relaunch the J.G. Thomson & Co. brand during the current financial year.

The American Whiskey Society

The Directors believe that there is a significant opportunity presented by the fast growing American whiskey market. Between 2015 and 2019, the whiskey market in the US grew by 48 per cent. (equivalent to a CAGR of 10 per cent.) to \$9.6 billion. In particular, demand for the Ultra-Premium and above segments of American whiskey has grown at a five year CAGR of 23 per cent., reaching over \$1 billion in 2019.

With around 2,000 craft distilleries in the US, the Directors believe that the Group can establish a similar platform and membership society to that of The Scotch Malt Whisky Society. Whilst this concept is still under development the Group has acquired the trademarks for "AWS" and "The American Whiskey Society" and has existing supply relationships with 10 primary producers which could potentially be used for product fulfilment.

7. Competition

In the opinion of the Directors, the Group possesses a competitive advantage within its chosen niche due to its scale and global reach and the significant barrier to entry which exists within its market, being the technical skill and expertise to oversee the maturation process, access to a diverse primary supplier network, and access to the capital required to build an extensive inventory of spirits and casks.

The Directors believe that the Group's nearest competitors can be broadly categorised as follows:

- **Single cask specialists and whisky membership clubs:** These competitors are the most likely to seek to address a similar target market. With limited exceptions, the Directors believe that the Group's peers in this category lack the scale in terms of membership and global reach but, most importantly, also lack the depth and range of Ultra-Premium through Prestige-Plus categories of whisky which the Group offers.
- **Online whisky or spirits retailers:** There are a number of online whisky retailers in the UK and internationally. Whilst these online retailers offer a wide range of products, they tend to supply only a small number of single cask single malt whiskies and therefore would be an unlikely alternative destination for members of The Scotch Malt Whisky Society. Additionally, these platforms generally operate as stores so there is no membership proposition and, as pure resellers, they typically have no involvement in the maturation process.
- **Online retailers:** At a broader level, competition may arise from large, multinational e-commerce retailers who sell alcohol. In the Directors' opinion, these are not direct competitors given such retailers are pure resellers with no value add or personalised proposition.

The Directors also believe that the Group is ranked highly against all of its competitors across each of the above categories and against established international spirits groups by reference to consumer engagement, premiumisation and gross margins.

8. Directors and senior management

The section below sets out brief biographies of the Directors and senior management of the Group. Paragraphs 7, 8 and 9 of Part 4 contain further details in relation to the Directors, including current and past directorships.

8.1 Directors

Mark Hunter, aged 58 – *Non-Executive Chair and Chair of the Nomination Committee*

Mark was appointed as a Director on 24 March 2021.

Mark is the former President and CEO of MolsonCoors Brewing Company, a top five global brewer which had revenues of \$10.8 billion, EBITDA of \$2.45 billion and operations in over 25 markets globally as at 31 December 2018 (the end of the last accounting period before Mark retired). Mark retired from this role on 30 September 2019.

Mark is a non-executive director of TreeHouse Foods Inc, a US listed, leading manufacturer and distributor of private label packaged foods and beverages. Mark became a director in April 2020 and he is a member of the Audit Committee and the Long Range Planning Committee.

Mark has thirty-five years of marketing, sales and business unit leadership experience in North America, Europe and internationally. He has a track record of successful portfolio development, mergers and acquisitions, business integration and synergy delivery including the \$12 billion acquisition of MillerCoors in the US and multiple brand acquisitions.

He is a people-orientated leader who believes passionately in clarity of purpose and ambition, aligning people to build enabling cultures and investing to build leadership capability, engagement and executional brilliance.

Paul Skipworth, aged 53 – *Non-Executive Deputy Chair*

Paul was appointed as a Director on 30 March 2015.

Paul started his career in corporate strategy consulting for 10 years at LEK Consulting, and was then a Partner in an Asian based venture capital fund. Paul then spent 13 years building consumer brands and leading consumer companies globally at LVMH, working across consumer markets in Europe, Asia Pacific and the US. Paul was CEO and COO of Glenmorangie for five years, Regional Director Asia Pacific at Moët Hennessy, Senior Vice President of Strategy for Moët Hennessy and was a Partner in L Capital, LVMH's sponsored private equity fund focussed on the consumer sector.

Paul is a partner of Inverleith LLP along with Ben Thomson.

David Ridley, aged 51 – *Executive Managing Director*

David has been Managing Director of the Company since March 2017, leading the business through revenue growth of 95 per cent. between FY16 and FY19.

David has worked in the international wines and spirits industry for 21 years and has experience across brand development, commercial and distribution management. He has previously held senior general management and business development roles globally, including at Moët Hennessy, where he was Managing Director of MH Vietnam for three years and Business Development Director for Asia Pacific, Africa, Middle East & the Americas for five years with Glenmorangie/Ardbeg single Malt Scotch whisky, where he also worked in Global Travel Retail.

David is a liveryman of the Worshipful Company of Distillers.

Andrew Dane, aged 37 – *Executive Finance Director*

Andrew has been Finance Director of the Company since August 2020.

Andrew previously worked for eight years at KPMG transaction services in London, Edinburgh and Toronto. During this time he worked on over 100 transactions covering multiple sectors, business sizes and geographies, including five Scottish capital markets transactions.

Prior to joining the Company, Andrew was the Finance Director at Argent Energy, the high growth UK biodiesel producer, from 2014 to 2020. He helped increase the size of Argent Energy's business from around 65 employees and approximately £50 million turnover in 2014 (following their 2013 acquisition by Swire) to around 350 staff and approximately £350 million turnover in 2020.

Mark Bedingham, aged 66 – *Non-Executive Director*

Mark was appointed as a Director on 1 September 2015.

Mark spent 20 years as the Regional Managing Director of Moët Hennessy Asia-Pacific, spearheading the Asia-Pacific growth of Moët Hennessy's portfolio of luxury wines and spirits, including Veuve Clicquot, Moët et Chandon, Hennessy, Cloudy Bay, Dom Perignon, Krug and Glenmorangie, turning the region into a major contributor to the Moët Hennessy Group's global turnover and profit. During this time, he also spent seven years as a non-executive director of the DFS Group, a Hong Kong based travel retailer of luxury products with a network of duty-free stores in over 17 major airports.

Mark is the President and CEO of SMI, a company listed on the Singapore Stock Exchange. He is concurrently Executive Chairman of the hospitality group Iconic Locations which owns the CELAVI group with locations in five key cities in Asia Pacific; he is also a director and investor in the recently formed Straits BioPharma.

From 1997 to 2002, Mark was a director of Jardine Pacific, a subsidiary of Jardine Matheson, which represents a significant number of the Jardine Matheson Group's non-listed interests in Asia, including in engineering and construction, consumer, transport services, restaurants and IT services.

More recently Mark is the Vice Chairman and part of the founder investor group in Aspirational Consumer Lifestyle Corporation, a SPAC, which is listed on the NYSE and has recently announced a business combination with Wheels Up, the leading private aviation company in the US. Aspirational (ASPL) has recently announced the filing of its second SPAC.

Gavin Hewitt CMG, aged 76 – *Non-Executive Director*

Gavin was appointed as a Director on 27 March 2015.

Gavin was the Chief Executive of the Scotch Whisky Association from October 2003 to December 2013. In November 2011 Gavin was elected as president of spiritsEUROPE (previously The European Spirits Organisation – CEPS) and held this role in conjunction with his position at the Scotch Whisky Association.

Gavin was appointed to the Advisory Board of Pure Scot Limited in 2014 and later appointed non-executive chairman of Bladnoch Distillery Limited (2015 to 2017). He currently is also non-executive chairman of Findr Ltd, a digital platform serving as a market-place for professional photographers.

Before working in the alcohol industry, Gavin served in Her Majesty's Diplomatic Service (1970-2003) and between 1994 and 2003 was successively Her Majesty's Ambassador to Croatia, Finland and Belgium acquiring considerable expertise in international and EU trade matters and a close connection with many large UK companies operating overseas. He is a Companion of the Order of St Michael and St George (CMG), a Keeper of the Quaich and a liveryman of the Worshipful Company of Distillers.

Lesley Jackson, aged 57 – *Non-Executive Director and Chair of the Audit Committee*

Lesley was appointed as a Director on 2 June 2021.

Lesley is a Chartered Accountant, having qualified with KPMG. She was the Group Chief Financial Officer for Stock Spirits PLC from 2011 to 2017, prior to which she held similar positions at William Grant & Sons, and at United Breweries (an Indian listed public company).

She is a non-executive director of Aberforth Split Level Income Trust plc and Devro plc (where she is appointed as the Senior Independent Director and Chair of the Audit Committee) and has served as a non-executive director of Trackwise Designs PLC (where she also chaired both the Audit and Remuneration Committees).

Lesley has extensive finance and business experience from her roles in international manufacturing businesses.

Helen Page, aged 51 – *Non-Executive Director and Chair of the Remuneration Committee*

Helen was appointed as a Director on 2 June 2021.

Helen has more than 25 years' experience in marketing, innovation, consultancy and customer experience, including over 15 years in financial services. She joined Clydesdale Bank (now Virgin Money

UK) in December 2012 and was part of the Executive Team to complete the IPO of the bank in 2016. Helen is Chief Brand Officer of the bank.

Prior to joining Virgin Money UK, Helen spent 8 years at RBS in a number of roles. She became Managing Director for Marketing and Innovation and held responsibility for all UK brands across the Retail, Commercial and Corporate divisions.

Helen was also Head of Brand Marketing at Argos, where she re-launched the catalogue company as a retailer. Before Argos, Helen held a number of product and marketing roles at Abbey (now Santander), where she became Head of Marketing. She also has experience in research, consultancy and central government roles.

Helen is chair of Virgin Money Giving and a member of the Financial Services Advisory Board in Scotland.

8.2 **Senior management**

Kai Ivalo, aged 55 – *Spirits Director*

Kai joined the Group on 27 October 2005.

Prior to joining the Group Kai spent 14 years in advertising, direct marketing agencies and marketing roles. Kai has a Bachelor of Arts in Business Studies, a Diploma in Marketing and is a member of the Chartered Institute of Marketing.

Kai is a Keeper of the Quaich and a liveryman of the Worshipful Company of Distillers.

William Bremner, aged 46 – *Group Financial Controller and Company Secretary*

Willie joined the Group on 1 July 2005.

Willie has been Group financial controller for over 15 years and was appointed as Company Secretary in 2015. Prior to working with the Group Willie worked in audit services with PWC for four years and as a Finance Manager/Financial Controller with Aviagen and Miller Group for six years. Willie has a Master of Arts in Accountancy and is a member of the Institute of Chartered Accountants of Scotland.

Jan Damen, aged 49 – *Operations Director – Europe*

Jan joined the Group on 17 November 2003.

Jan has been with the Group for 17 years, and joined the board of directors of SMWS in 2015 in his current role. Jan has 25 years' experience in the hospitality and leisure industry in hotels, fitness & wellbeing, and whisky & spirits.

Prior to joining the Group Jan was a Conference Manager with Intercontinental Hotels for four years, and a Leisure/Next Generation F&B Manager at David Lloyd for four years. Jan has a Bachelor of Arts in Hospitality.

Rebecca Hamilton, aged 43 – *Marketing & E-commerce Director*

Rebecca joined the Group on 29 March 2021.

With 24 years of UK, international and global marketing leadership experience in 'memory making' brands, across leisure, hospitality and entertainment, Rebecca holds masters level qualifications in general, digital, direct and data marketing and is a member of the Chartered Institute of Marketing, the Institute of Direct Marketing and the Marketing Society.

Prior to joining the Group, Rebecca was based in London with The Jockey Club as Group Head of Marketing, and Merlin Entertainments as Global Head of Marketing, and other businesses, with a focus on membership growth.

9. Summary financial information

The following summary of financial information relating to the Group's activities for the three financial years to 31 December 2020 has been extracted without material adjustment from the financial information on the Group set out in Part 3 of this Document.

In order to make a proper assessment of the financial performance of the Group's business, prospective investors should read this Document as a whole and not rely solely on the key or summarised information in this section.

	<i>FY18</i>	<i>FY19</i>	<i>FY20</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Revenue	12,148	14,645	15,026
Gross profit	7,257	8,533	8,804
Gross margin	59.7%	58.3%	58.6%
EBITDA	(19)	115	572
Loss on ordinary activities before exceptional items	(751)	(1,011)	(810)
Loss on ordinary activities before taxation	(801)	(1,011)	(1,202)

The Directors consider that presenting adjusted measures for gross profit, gross margin and EBITDA provides investors with a more meaningful basis for comparison of the Group's financial performance over time.

	<i>FY18</i>	<i>FY19</i>	<i>FY20</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Adjusted gross profit	7,257	8,682	9,462
Adjusted gross margin	59.7%	59.3%	63.0%
Adjusted EBITDA	7	281	1,300
Loss on ordinary activities before taxation, finance costs and foreign exchange loss	(507)	(555)	(633)

Note: Adjusted gross profit, adjusted gross margin and adjusted EBITDA exclude the cost impact of the US tariffs on Scotch whisky which applied from the fourth quarter of 2019 to the first quarter of 2021. The impact on FY19 was £149,000 and on FY20 was £658,000. Adjusted EBITDA also excludes foreign exchange loss shown in Note 6 of the Historical Financial Information on the Group in Section B of Part 3 of this Document.

Gross margins compare favourably with the Group's established quoted spirits peers, reflecting the Group's focus on the Ultra-Premium and higher product categories and the primacy of D2C sales channels within its business model.

The Group has reported losses on ordinary activities between FY18 and FY20 reflecting a deliberate policy of investment for future growth and, in 2020, the strategic decision to absorb the full impact of US tariffs in order to protect the Group's position in the US market.

Revenues for the three financial years to 31 December 2020 can be further analysed as follows:

	<i>FY18</i>	<i>FY19</i>	<i>FY20</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Revenue</i>			
UK online	2,147	2,471	3,234
UK venues & events	3,364	3,538	1,503
Total UK	5,511	6,009	4,737
International	6,637	8,636	10,289
Total revenue	12,148	14,645	15,026
Total excl. UK venues & events	8,784	11,107	13,523

Source: Historical financial information as set out in Part 3 of this Document

	<i>FY18</i>	<i>FY19</i>	<i>FY20</i>
<i>Revenue</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
SMWS e-commerce	7,827	9,987	12,978
SMWS venues	3,163	3,411	1,379
Total D2C	10,990	13,398	14,357
Other SMWS revenue	1,157	1,247	669
Total SMWS revenue	12,148	14,645	15,026

Source: Company data

Total revenues grew by 21 per cent. between FY18 and FY19, continuing the strong growth trend witnessed in prior years (revenue CAGR of 24 per cent. over the three year period to December 2019). The emergence of the global Covid-19 pandemic during FY20 presented unique challenges for the Group, with sales through the Group's venues in the UK falling by almost 60 per cent. to £1.4 million in the period as a result of the mandatory closure of all UK hospitality venues for a major part of the year in accordance with UK and Scottish government guidelines, and partner bar sales (shown as "Other SMWS revenue" in the table above) also falling heavily to £0.7 million as a result of Covid-19 induced trading restrictions in overseas markets. By contrast, online sales grew in line with the recent historical trend growth rate, recording growth of 30 per cent. to £13.0 million and enabling modest growth in Group revenues year-on-year. In FY20 online sales represented in excess of 85 per cent. of total revenues.

10. Current trading and prospects

The table below summarises trading during the first quarter of FY21 in comparison to the first quarter of FY20, extracted from unaudited management accounts for the relevant periods:

	<i>Q1-FY20</i>	<i>Q1-FY21</i>	<i>Change</i>
<i>Revenue</i>	<i>£m</i>	<i>£m</i>	<i>%</i>
UK online	0.5	0.8	56%
UK venues & events	0.6	0.2	(66%)
Total UK	1.1	1.0	(10%)
International	1.8	2.5	39%
Total revenue	2.9	3.4	20%
Total excluding UK venues & events	2.3	3.2	42%
Adjusted gross profit	1.7	2.3	38%
Adjusted EDITDA	(0.4)	0.0	n/a
Loss on ordinary activities before taxation, finance costs and foreign exchange loss	(0.7)	(0.3)	63%

Source: Company data

The period has seen a continuation of the very strong growth in e-commerce sales witnessed during FY20, offsetting a lockdown-induced decline in SMWS venues revenue reflecting the fact that trading activity at UK venues was largely unaffected by Covid-19 during the first quarter of 2020. Overall, revenue increased by 20 per cent. as against Q1 2020 with International revenue up 39 per cent. and UK e-commerce revenue up 56 per cent. Net debt at the quarter-end was £14.6 million.

The Q1 2021 performance is particularly creditable as it has coincided with a period of significant disruption to European sales following the UK's exit from the EU on 31 December 2020. The Group has experienced the same Brexit-induced fulfilment delays as other exporters, including major Scotch whisky producers and, as a result, only a third of orders placed with SMWS by European members during the quarter were physically delivered (and therefore booked within revenues for the period).

By contrast, the announcement in March 2021 of the temporary removal of the tariffs on single malt Scotch whisky in the US has created a window of opportunity which will benefit the Group's profits in the current

financial year and, if made permanent, would remove an artificial impediment to the Group's future growth in that territory. Trading in the US has been strong during the period, partly as a result of the timing of large shipments but also reflecting strong demand from US resident members of The Scotch Malt Whisky Society, with in-market whisky sales growth of 35 per cent. in the first quarter of 2021. As a result, in the twelve months to March 2021, the Company generated Adjusted EBITDA of approximately £1.7 million.

The Directors are optimistic about the outlook for the Group for the remainder of the current financial year, including in the UK where the prospect of the imminent removal of many of the current lockdown restrictions on trading through SMWS' venues should provide a tail-wind during the second half of the year, assuming that no more stringent restrictions are introduced or reintroduced during the remainder of the year.

11. Reasons for Admission and use of proceeds of the Fundraising

The Directors believe that Admission represents an important step in the Group's development and will assist in achieving its ambitions for future profitable growth.

In particular, the Directors are of the opinion that there are material potential benefits for SMWS' subscription-based membership model, including the potential to accelerate member recruitment, arising from the enhanced public profile attaching to a public markets listing. The Directors also consider that quoted status will facilitate the recruitment and retention of additional executive talent to fulfil the Group's growth plans and will enable the Company, if required, to access the capital markets to support its future growth.

The Company will receive approximately £13.2 million in net proceeds from the Fundraising. The net proceeds from the Fundraising, together with the Group's existing long term debt facilities, will provide the capital resources with which to finance the Directors' strategic development plan for the Group over the next two to three years, within the following broad categories of spend:

- £8-10 million for further investment in whisky and other spirits stock, and in cask wood, including the implementation of a planned sherry cask maturation programme;
- £6-8 million to promote membership and business growth including membership recruitment, retention and engagement; selective investment in existing and new venues where the Directors identify that appropriate returns can be achieved; and investment in brand and digital development; and
- £2 million for capital investment in supply chain optimisation to reduce costs and improve operating efficiency.

Pending deployment of the proceeds of the Fundraising as described above, such proceeds will initially be applied towards reducing outstanding Group borrowings.

In addition, the Directors believe that Admission, by providing a market for trading in the Ordinary Shares, will benefit all Shareholders, now and in the future. The Fundraising will raise approximately £11.0 million for the Selling Shareholders (before expenses), as follows:

	<i>Approximate gross proceeds</i>
<i>Group of Shareholders</i>	
Inverleith ASC and connected parties*	£4.5 million
Directors and employees	£2.8 million
Other Shareholders	£3.7 million

**Excludes Paul Skipworth and Mark Bedingham (who holds Ordinary Shares through Birdwing Investments Limited) who are Directors of the Company.*

12. Funding long term growth

In January 2021 the Company entered into the RBS Facility Agreement, replacing a previous asset backed lending facility of £16.5 million with RBS. The RBS Facility Agreement is secured against the Group's inventory, with stock valued for this purpose on an orderly liquidation basis. The most recent independent inventory valuation was conducted in the first quarter of 2021 and reported an estimated orderly liquidation value uplift of around £9 million versus the Company's book value of stock. The combination of an active and longstanding secondary wholesale market in Scotch whisky and the regular availability of inventory-based debt facilities from blue chip lending institutions together mean that the Directors expect that a prudent

level of debt funding will continue to feature within ASC's capital structure alongside equity funding, over the medium to long term.

13. Details of the Fundraising

The Fundraising is comprised of the Placing, the Member's Offer and the PrimaryBid Offer, details of which are set out below.

The Placing

The Company, the Directors, the Selling Shareholders, N+1 Singer and the Nomad have entered into the Placing Agreement relating to the Placing pursuant to which, subject to certain conditions, N+1 Singer has conditionally agreed to use its reasonable endeavours to procure subscribers for New Ordinary Shares to be issued by the Company and purchasers for Sale Shares to be sold by the Selling Shareholders under the Placing. The Placing is not being underwritten. The Placing Shares represent approximately 29.3 per cent. of the Enlarged Share Capital.

The Placing will raise approximately £15.0 million (before expenses) for the Company.

The Placing Agreement is conditional, *inter alia*, upon Admission having become effective by not later than 8.00 a.m. on 4 June 2021 or such later time and date, being not later than 8.00 a.m. on 30 June 2021, as the Company and N+1 Singer shall agree.

The Member's Offer

The Directors consider that SMWS' distinctive, subscription-based membership model has contributed materially to the Group's success and that protecting the ethos of The Scotch Malt Whisky Society should be embedded as an objective within the IPO plan. The Member's Offer is designed to enable those members of The Scotch Malt Whisky Society who are resident in the UK to invest in Ordinary Shares to the extent both that they choose to do so and that investment regulations allow. The Member's Offer is being facilitated by PrimaryBid, with orders from Qualifying Society Members being satisfied by Sale Shares sold by Inverleith ASC. The Member's Offer is not being underwritten. Qualifying Society Members must apply for a minimum investment of £100 under the Member's Offer. The Member's Offer closed at 6.00 p.m. on 21 May 2021 and any information in this Document relating to the Member's Offer is provided for information only and is historic as of the date of this Document.

The Member's Offer will raise approximately £2.6 million for Inverleith ASC (before expenses). The Member's Offer Shares represent approximately 3.4 per cent. of the Enlarged Share Capital.

The principal terms of the Member's Offer are set out in Part 6 of this Document.

The PrimaryBid Offer

PrimaryBid has conditionally agreed, pursuant to the PrimaryBid Engagement Letter, to act as arranger for the Company and the Selling Shareholders and to use its reasonable endeavours to procure purchasers for the PrimaryBid Offer Shares at the Offer Price. The PrimaryBid Offer is not being underwritten. UK retail clients of PrimaryBid who make an application under the PrimaryBid Offer must apply for a minimum investment of £100. The PrimaryBid Offer closed at 6.00 p.m. on 21 May 2021 and any information in this Document relating to the PrimaryBid Offer is provided for information only and is historic as of the date of this Document.

The PrimaryBid Offer will raise approximately £0.5 million for Selling Shareholders (before expenses). The PrimaryBid Offer Shares represent approximately 0.6 per cent. of the Enlarged Share Capital.

The Member's Offer and the PrimaryBid Offer are being arranged by PrimaryBid through the PrimaryBid platform (<https://primarybid.com>) and the terms and conditions of the Member's Offer and the PrimaryBid Offer will be made available to applicants on the PrimaryBid platform. The maximum aggregate amount (before expenses) which may be raised pursuant to the Member's Offer and the PrimaryBid Offer will be the pound sterling equivalent of €8 million.

The principal terms of the PrimaryBid Engagement Letter are summarised in paragraph 11.3 of Part 4 of this Document.

The ASC Nominee Service

Ordinary Shares acquired in the Member's Offer and the PrimaryBid Offer may, if the applicant so elects in their application, be held in the ASC Nominee Service. The ASC Nominee Service is a Company-sponsored nominee arrangement (the terms and conditions of which will be available for review on the PrimaryBid platform) pursuant to which Ordinary Shares will be held electronically within the CREST system (on behalf of those Shareholders who elect to use the service) in the name of Link Market Services Trustees Limited or its nominee. The charges and costs of the ASC Nominee Service will be available for review on the PrimaryBid platform, and thereafter from the Registrar.

The New Ordinary Shares issued under the Fundraising will be issued credited as fully paid and will, when issued, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, paid or made after Admission.

14. Lock-up and orderly market arrangements

The Lock-up Shareholders, who will hold a total of 31,508,549 Ordinary Shares (representing approximately 45.3 per cent. of the Enlarged Share Capital) on Admission, have entered into Lock-up and Orderly Market Agreements pursuant to which they have each agreed with the Company, N+1 Singer and the Nomad that they will not dispose of any interest in Ordinary Shares for the period of 12 months following Admission except in certain limited circumstances. The Lock-up Shareholders have also agreed that for a further 12 months following the expiry of the initial 12 month period they will only dispose of an interest in Ordinary Shares through N+1 Singer and in such manner as the Nomad may reasonably require with a view to the maintenance of an orderly market in the Ordinary Shares.

Accordingly, on Admission, a total of 31,508,549 Ordinary Shares representing 45.3 per cent. of the Enlarged Share Capital will be subject to the lock-up and orderly market arrangements described above.

Further details of the Lock-up and Orderly Market Agreements are set out in paragraph 11.4 of Part 4 of this Document.

15. Relationship Agreement

Immediately following Admission, Inverleith ASC and the Related Shareholders will collectively hold 35.6 per cent. of the Enlarged Share Capital. Inverleith ASC and the Related Shareholders have entered into a relationship agreement with the Company and the Nomad under which Inverleith ASC and the Related Shareholders have undertaken that, for so long as they individually or together with any of their respective associates are interested in Ordinary Shares representing 20 per cent. or more in aggregate of the voting capital of the Company, among other things, that the Group and its business shall be managed for the benefit of the Shareholders as a whole and independently of Inverleith ASC, the Related Shareholders and any of their respective associates.

Further details of the Relationship Agreement are set out in paragraph 11.5 of Part 4.

16. Retail Shareholder benefits scheme

The Directors intend to introduce a retail Shareholder benefits scheme with effect from Admission, the primary purposes of which are to promote recruitment and retention of members to The Scotch Malt Whisky Society and to reward Shareholder loyalty. The scheme will have the following initial principal features:

- retail Shareholders at Admission, who are existing members of The Scotch Malt Whisky Society or who purchase a membership before 31 May 2021, will receive a welcome pack which includes exclusive content; and
- following Admission, retail Shareholders who are members of The Scotch Malt Whisky Society and hold a minimum of 1,000 Ordinary Shares will be entitled to receive discounted annual membership renewal and exclusive access to other offers.

The operation of the benefits scheme will be subject to annual review to ensure that it remains relevant and meets its stated objectives. The benefits available under the scheme will be subject to change at the Board's discretion in light of the outputs from such review and will be subject to the detailed terms and conditions of the scheme.

17. Corporate governance

AIM quoted companies are required to state which recognised corporate governance code they will follow from admission of their shares to trading on AIM and how they comply with such code and to explain reasons for any non-compliance. The Directors recognise the value and importance of high standards of corporate governance and intend, given the Company's size and the constitution of the Board, to comply with the recommendations set out in the QCA Code.

The Board

The Board is responsible for the overall management of the Group, including the formulation and approval of the Group's long-term objectives and strategy, the approval of budgets, the oversight of Group operations, the maintenance of sound internal control and risk management systems and the implementation of Group strategy, policies and plans. While the Board may delegate specific responsibilities, there will be a formal schedule of matters specifically reserved for decision by the Board. Such reserved matters will include, amongst other things, approval of significant capital expenditure, material business contracts and major corporate transactions. The Board will meet regularly to review performance.

The QCA Code recommends at least two members of the Board should be non-executive Directors determined by the Board to be independent. The Board currently comprises eight Directors, of whom two are executive and six are non-executive. With the exception of Paul Skipworth and Mark Bedingham, the Board considers all of the other non-executive Directors, being Mark Hunter, Helen Page, Lesley Jackson and Gavin Hewitt, to be independent (notwithstanding their respective shareholdings in the Company) and, as such, the Company complies with the requirements of the QCA Code.

The QCA Code invites companies to consider whether to appoint one of its independent non-executive directors to be the Senior Independent Director. The Board considers that, given the size of the Company and its stage of development, together with the fact that the chairman, Mark Hunter, is considered to be independent, it would be of no material benefit to the smooth functioning of the Board and its committees to nominate a Senior Independent Director.

With effect from Admission, the Board has established an audit committee (the "**Audit Committee**"), a nomination committee (the "**Nomination Committee**") and a remuneration committee (the "**Remuneration Committee**").

The Audit Committee

The Audit Committee will be chaired by Lesley Jackson. Its other members will be Helen Page, Paul Skipworth and Mark Bedingham. The Audit Committee will have primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Company is properly measured and reported on. It will receive and review reports from the Company's management and auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. The Audit Committee will meet at least three times a year and will have unrestricted access to the Company's auditors.

The Nomination Committee

The Nomination Committee will be chaired by Mark Hunter. Its other members will be Gavin Hewitt and Paul Skipworth. The Nomination Committee will identify and nominate candidates to fill Board vacancies, as and when they arise, for the approval of the Board. The Nomination Committee will meet at least once a year.

The Remuneration Committee

The Remuneration Committee will be chaired by Helen Page. Its other members will be Gavin Hewitt and Lesley Jackson. The Remuneration Committee will review the performance of the executive Directors and other senior executives and make recommendations to the Board on matters relating to their remuneration

and terms of employment. The Remuneration Committee will also make recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time. The remuneration and terms and conditions of appointment of the non-executive Directors of the Company will be set by the Board. The Remuneration Committee will meet as and when necessary, but at least twice each year.

Share dealings

The Company has adopted a share dealing code, with effect from Admission, for Directors and “applicable employees” (as defined in the AIM Rules for Companies) of the Group for the purpose of ensuring compliance by such persons with the provisions of Rule 21 of the AIM Rules for Companies and UK MAR relating to dealings in the Company’s securities. The Directors consider that this share dealing code is appropriate for a company whose shares are admitted to trading on AIM.

The Company will take appropriate steps to ensure compliance by the Directors and applicable employees with the terms of the share dealing code and the relevant provisions of UK MAR.

18. Sustainability

SMWS is a member of the Scotch Whisky Association (“**SWA**”) and the Directors are committed to the SWA’s “Sustainability Strategy”. The Sustainability Strategy is working to ensure that the Scotch whisky industry achieves its goal of zero emissions by 2040, five years in advance of the Scottish government’s “Net Zero” target. The SWA’s target is to move towards Net Zero across the industry’s operations (Scope 1 and 2) by implementing carbon reduction and energy efficiency measures. Scope 1 refers to all direct greenhouse gas emissions within the boundaries of a company’s operations and scope 2 refers to indirect greenhouse gas emissions from the consumption of purchased electricity, heat or steam.

The Sustainability Strategy focuses on four key goals:

1. tackling climate change;
2. using water responsibly;
3. moving to a circular economy; and
4. caring for the land.

The Group’s business operations do not include whisky distilling or growing the required ingredients needed for the process. As such, the Group’s ability to impact sustainable water or land usage is limited at present.

The Group is focused on minimising its own impact, in particular with respect to the first and third of the SWA’s key goals: tackling climate change and moving to a circular economy. During 2020, the print runs of the Group’s “Unfiltered” magazine ended, with the award winning magazine moving to a fully digital and interactive edition only. All Group venues have committed to all local policies for recycling and are committed to reducing the proportion of their waste that goes to landfill to less than 10 per cent. by the end of 2022.

The Group is also working on the ‘circularity’ of its products as it continues to minimise the impact of SMWS’ packaging: aligned with the SWA’s goal of encouraging innovation in packaging technology and design across the industry, the Group is actively reducing the amount of plastic packaging required for each delivery: the revised packaging introduced in 2021 has already resulted in a significant reduction in protective and unrecyclable plastic. ASC will, by the end of 2021, switch to all packaging used for shipping to consumer to be 100 per cent. recyclable. The new J.G. Thomson & Co. inner vacuum bag, to be used for direct to consumer sales, is 100 per cent. biodegradable.

According to the SWA, glass has the biggest impact on the industry’s ability to use recycled materials in its operations: as at the end of 2018, the recycled content of the industry’s product packaging was 37 per cent. To allow for the safe transport of glass, use of 100 per cent. recycled materials in packaging is not possible at this stage. A 70 per cent. recycled solution is in use currently but changes will be made when product become available.

The Group is committed to providing clear reporting on sustainability to Shareholders and all other interested stakeholders in future annual reports, starting with the report for the 2021 financial year. This will ensure

that the Directors can provide stakeholders with an insight on the Group's environmental impact as well as accepting full accountability for its actions.

19. Dividend policy and financial reporting timetable

The primary purpose of the Fundraising is to provide growth capital with which to fund and accelerate the continuing expansion and development of the Group's business. Accordingly, the Directors do not intend that the Company will declare a dividend in the near term, but instead will channel the available cash resources of the Group into funding its expansion. Thereafter, the Board intends to commence the payment of dividends only when it becomes commercially prudent to do so, having regard to the availability of distributable profits and the funds required to finance continuing future growth.

Following Admission, the Board expects to publish interim results for the six months ending 30 June 2021 in September 2021 and final results for the year ending 31 December 2021 in March 2022.

20. Share option schemes

The Board recognises that its employees represent the most business-critical asset of the Group and has since the investment in the Company by the HotHouse Syndicate sought to promote the development of an engaged, collaborative and motivated team as a guiding business principle. One practical aspect of this principle has been the use of share options as a tool for recruitment and retention of employees at all levels within the Group, allowing them to participate directly in the shareholder value they help to create.

The Company first issued share options in 2015 and, following Admission, there will remain 3,672,504 Legacy Options (further details of which are set out in paragraph 10.1 of Part 4) outstanding (representing 5.3 per cent. of the Enlarged Share Capital following Admission) at exercise prices ranging from 0.25 pence to 39.75 pence per Ordinary Share.

With effect from Admission the Company will also introduce the New Share Option Scheme, under which options may be granted to eligible employees from time-to-time upon the Board's recommendation and subject to the rules of the plan (further details of which are set out in paragraph 10.3 of Part 4 of this Document).

Initial awards of options over, in aggregate, 1,366,900 Ordinary Shares under the New Share Option Scheme with an exercise price equivalent to the nominal value of the Ordinary Shares were issued to selected senior executives on 2 June 2021 (conditional upon Admission), all of which have performance vesting conditions attached to them as described in paragraph 10.3.5 of Part 4.

The Board will observe the recommended Investment Association guidelines such that the aggregate pool of share options outstanding under the New Share Option Scheme and all other equity-linked incentive plans will not exceed 10 per cent. of the issued share capital in any ten year period. For the avoidance of doubt, the Legacy Options which remain outstanding at Admission will be excluded from the calculation of options outstanding for the purposes of this rolling ten year limit.

Further details of the New Share Option Scheme are set out in paragraph 10.3 of Part 4.

21. Admission, settlement and dealings

Application has been made to the London Stock Exchange for all of the Ordinary Shares, issued and to be issued pursuant to the Fundraising, to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings will commence in the Ordinary Shares at 8.00 a.m. on 4 June 2021.

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

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

member” (as defined in the CREST Regulations) in relation to CREST. Dealings in advance of crediting of the relevant CREST account(s) shall be at the sole risk of the persons concerned.

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

Participants under the Member’s Offer or PrimaryBid Offer who elect (as part of their application) for the Ordinary Shares to be acquired by them to be held in the ASC Nominee Service will receive digital statements from Link Market Services Trustees Limited within 14 days of Admission confirming the number of Ordinary Shares so held on their behalf.

22. The Takeover Code

The Company is a public limited company incorporated in Scotland and its Ordinary Shares will be admitted to trading on AIM. Accordingly, the Takeover Code applies to the Company and, as a result, Shareholders are entitled to the benefit of the protections provided under the Takeover Code.

Under Rule 9 of the Takeover Code (“**Rule 9**”), any person who acquires an interest in shares (as defined in the Takeover Code), whether by a series of transactions over a period of time or not, which (taken together with shares in which persons acting in concert (as defined in the Takeover Code) with him are interested) in aggregate, carry 30 per cent. or more of the voting rights of a company which is subject to the Takeover Code, is normally required by the Takeover Panel to make a general offer to all of 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 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, a general offer will normally be required if any further interests in shares are acquired by any such person(s) which increases the percentage of shares carrying voting rights in which he is (or they are) interested.

An offer under Rule 9 must be in cash, or be accompanied by a cash alternative, 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 during the 12 months prior to the announcement of the offer.

Under paragraph (9) of the definition of “Acting in concert” in the Takeover Code, it is presumed (unless the contrary can be established) that a concert party arises in relation to shareholders in a private company who sell their shares in that company in consideration for the issue of new shares in a company to which the Takeover Code applies, or 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.

In consultation with the Takeover Panel it has been agreed that those persons set out in paragraph 21.2 of Part 4 of this Document are presumed to be acting in concert in relation to the Company (the “**Concert Party**”).

On Admission, the Concert Party will hold 25,391,184 Ordinary Shares, in aggregate, representing 36.5 per cent. of the Enlarged Share Capital (on an undiluted basis).

On Admission, Paul Skipworth and his close relatives (being members of the Concert Party) will beneficially own 803,884 Ordinary Shares, in aggregate, representing 1.2 per cent. of the Enlarged Share Capital (on an undiluted basis). Furthermore, as Chairman of the Company prior to Admission, Paul Skipworth was previously granted options over shares in the Company. On Admission, Paul Skipworth will hold Legacy Options over 474,000 Ordinary Shares, the terms of which are summarised in paragraph 10.2 in Part 4 of this Document. As such, Paul Skipworth and his close relatives could come to hold in aggregate up to 1,277,884 Ordinary Shares following the exercise of all such options held by him only, representing a maximum potential interest of up to 1.8 per cent. of the Enlarged Share Capital (as enlarged by such exercise). Accordingly, the Concert Party could come to hold in aggregate up to 25,865,184 Ordinary Shares

(following the exercise of all such options held by Paul Skipworth only), representing a maximum potential interest of up to 36.9 per cent. of the Enlarged Share Capital (as enlarged by such exercise).

Note 1 of the Notes on Dispensations from Rule 9 under the Takeover Code provides that the Takeover Panel will normally waive the obligation to make a Rule 9 offer as a result of the issue of new shares provided that the waiver is approved by a vote of independent shareholders. The Takeover Panel Executive has confirmed, however, that, on account of the disclosures made above, an obligation under Rule 9 will not arise on any member of the Concert Party as a result of the issue of new Ordinary Shares to Paul Skipworth following the exercise of any of those options referred to above, without the requirement to seek the approval of the Company's independent Shareholders. This dispensation shall not apply in relation to the issue of any other new Ordinary Shares to Paul Skipworth outside of the exercise of the specific options referred to above.

As noted above, immediately following Admission, the Concert Party will hold an interest in Ordinary Shares carrying not less than 30 per cent. of the voting rights of the Company but will not hold Ordinary Shares carrying more than 50 per cent. of the voting rights of the Company and (for so long as they continue to be treated as acting in concert), the Concert Party (and any person acting in concert with them) will not be able to acquire any further interests in Ordinary Shares which increases their percentage of Ordinary Shares carrying voting rights of the Company, apart from pursuant to the exercise of the options held by Paul Skipworth referred to above, without incurring an obligation to make a general offer to Shareholders under Rule 9 of the Takeover Code.

Further details of the interests of the Concert Party are set out in paragraph 21.2 of Part 4 of this Document.

23. Taxation

Information regarding taxation in relation to the Fundraising and the Ordinary Shares is set out in paragraph 20 of Part 4 of this Document. These details are, however, intended only as a general guide to the current tax position under UK taxation law. If you are in any doubt as to your tax position, you should consult your own independent financial adviser immediately.

24. Further information

Your attention is drawn to Part 2 of this Document which contains certain risk factors relating to an investment in the Company and to Parts 3 and 4 of this Document which contain further additional information on the Group.

PART 2

RISK FACTORS

Investing in and holding Ordinary Shares involves financial risk. Prospective investors in the Ordinary Shares should carefully review all of the information contained in this Document and should pay particular attention to the following risks associated with an investment in the Ordinary Shares, the Group's business and the industry in which it participates.

The risk factors set out below apply to the Company and the Group as at the date of this Document. The risk factors which are most material, in the assessment of the Company, are set out first.

The risks and uncertainties described below are not an exhaustive list and do not necessarily comprise all, or explain all, of the risks associated with the Group and the industry in which it participates or an investment in the Ordinary Shares. They comprise the material risks and uncertainties in this regard that are known to the Company and should be used as guidance only. Additional risks and uncertainties relating to the Group and/or the Ordinary Shares that are not currently known to the Company, or which the Company currently deems immaterial, may arise or become (individually or collectively) material in the future, and may have a material adverse effect on the Group's business, results of operations, financial condition and prospects. If any such risk or risks or uncertainties should occur, the price of the Ordinary Shares may decline and investors could lose part or all of their investment.

Prospective investors should consider carefully whether an investment in the Ordinary Shares is suitable for them in the light of the information in this Document and their personal circumstances. Prospective investors should consult a legal adviser, an independent financial adviser or a tax adviser for legal, financial or tax advice if they do not understand any part of this Document.

RISKS RELATING TO THE GROUP'S BUSINESS

Demand for the Group's products may be adversely affected by changes in consumer preferences

The Group's success depends heavily on maintaining the strength of The Scotch Malt Whisky Society brand and adapting to the changing needs and preferences of the members of The Scotch Malt Whisky Society. Consumer preferences, perceptions and spending habits may shift due to a variety of factors that are difficult to predict and over which the Group has no control (including lifestyle, nutritional and health considerations and regulatory changes). For example, there may be a reduction in the consumption of alcoholic drinks as a result of perceptions of the risks associated with alcohol. There may be a shift in consumer preferences and the consumption of certain beverages resulting in a decrease in the consumption of spirits or one category of spirit becoming more or less popular than another. In addition, many of the countries in which the Group operates or to which it exports have implemented regulations relating to the sale of spirits, in particular in the US. Changes to sales requirements for spirits, such as the introduction of regulations that require any potential adverse effects of alcohol consumption to be highlighted on product labels, could cause consumers to shift their beverage preferences and result in a reduction in the consumption of spirits. Any such shift could have a materially adverse impact on the Group if, for example, the shift is to a category of spirit with lower profitability or to a category of spirit which the Group does not produce or distribute. Any significant changes in consumer preferences or any failure to anticipate and react to such changes could result in reduced demand for the Group's products and weaken its financial performance and competitive position.

The Group's results depend on general economic conditions and could be affected by deterioration in the economic conditions of its key markets

The Group's results of operations are affected by overall economic conditions in its key geographic markets and the level of consumer confidence and spending in those markets.

Any deterioration in the economic conditions in the Group's key markets could lead to reduced consumer confidence and spending and reduced demand for the Group's products. In addition, governments may

impose taxes and implement other measures to manage the economic conditions in ways that adversely affect the Group's business. Members of The Scotch Malt Whisky Society may curtail spending and make more value-driven and price sensitive purchasing choices, which could adversely affect the demand for the Group's products and its profitability. Any of the foregoing could have a material adverse effect on the Group's prospects, results of operations and financial condition.

The Group's business is subject to seasonality and changes in temperature

There is seasonality in the Group's business due to increased sales around national celebrations in the Group's key markets, for example the Christmas period in the UK and Europe, Chinese New Year in China and Thanksgiving and Independence Day in the US. If a major unexpected adverse event such as a natural event, economic or political crisis or a failure in the Group's distribution chain were to occur during or in the lead up to these periods, this may result in a reduction in the Group's revenue and, consequently, a disproportionate deterioration in its full-year earnings.

Similarly, changes in temperature such as extreme hot spells in the summer or extremely cold temperatures in the winter can result in temporary changes in consumer preferences and impact demand for the types of alcoholic beverages the Group distributes. However, the Group's operations in different export markets provide a significant mitigation of this risk as it is unlikely that climatic conditions would affect all markets uniformly.

The Group is reliant on distilleries to produce the spirits for the Group's maturation process

The Group does not distil its own spirits and is therefore highly reliant on distilleries to produce the spirits for its maturation process. The Group does not have any significant reliance on one distillery and the Directors and executive management team have strong relationships with individual distilleries and the whisky industry more generally. The Group has also accumulated a large stock of spirits, which is the equivalent of approximately 26 times the volume sold during FY20. However, if a number of distilleries were to stop supplying spirits to the Group this may cause reputational damage to the Group and may in the future reduce the level and range of stock available to be sold by the Group.

The Group typically acquires its stock through ad hoc purchases with a range of distillers (rather than having committed long term contracts with suppliers), which the Directors consider to be standard for the industry in which the Group operates. As a result, distillers may choose to stop supplying the Group for any reason on short notice. Whilst the Group seeks to mitigate this risk through regularly utilising a broad range of distillers as described above, in the event that a material number of suppliers were to cease supply then this could over time have a material adverse effect on the Group's prospects, results of operations and financial condition.

Changes in climate may have an adverse effect on spirit production

Fertile land and reliable rainfall are essential to grow the grains used in the production of whisky and other spirits, and to provide a high quality water supply for distilleries. The Scotch Whisky Association has recognised the threat of climate change to the whisky industry and has introduced strategies to reduce the industry's environmental impact. However, changes in climate may make it more difficult to source the raw materials required in the distilling process and may therefore reduce the volume of spirits being distilled each year. This could make it more difficult for the Group to source spirits for its maturation process or increase the costs of those spirits, reducing the Group's profits.

The maturation process adopted by the Group takes a number of years to complete, therefore there is a significant period of time between the acquisition of spirits and the sale of the final product

Whisky must be matured for a minimum period of three years for it to be identified as "Scotch whisky". In order to maximise profit margins the Group aims to purchase whisky early in the maturation process. The Group must therefore predict what consumer preferences will be in the future when planning which spirits to purchase and the maturation process to be applied to those spirits. Changes to consumer preferences in the future, which are not in line with the predictions made by the Group, may have a negative impact on the price at which the Group's products may be sold and may reduce the market for those products.

The Group's operating results may be adversely affected by disruption to its outsourced bottling, storage and distribution operations

Currently the Group mainly carries out bottling at an external bottling site operated by Angus Dundee Distillers Plc at Coatbridge in the UK, although two other bottling sites are also utilised. Over half of the Group's stock is stored at a single bonded warehouse facility in the UK provided by John G Russell (Transport) Limited, with the remaining stock distributed amongst a number of other bonded warehouses provided by third parties, including distilleries at which stock is distilled. The Group relies on distributors in relation to its UK and foreign operations, in particular in the US where the Group is reliant on ABCK Corp as its sole US import agent.

The Group's business could be materially adversely affected if there was a significant disruption to any of the Group's production, storage or distribution operations. In the event of the insolvency of any one of the Group's production, storage or distribution providers, or any other termination of such operations, the Group may not be able to arrange for alternative production, storage or distribution on as favourable terms, or with sufficient speed to ensure continuity of business, or at all. Further, if there were a technical failure, fire, explosion or any other event resulting in a major or prolonged disruption at any of the facilities used by the Group's service providers, this could result in a significant loss in production capacity and significant costs and/or damage to the Group's reputation, all of which could have a material adverse effect on the Group's prospects, results of operations and financial condition. Although the Group carries insurance, not all risks may be covered by its policies, and any insurance coverage available may be insufficient to cover some or all costs. There may also be a disruption to sales (particularly in the US), which could impact relationships with members and in turn adversely affect the Group's prospects, results of operations and financial condition.

In China members of The Scotch Malt Whisky Society can buy bottlings via three SMWS "store fronts" hosted by independent, online third party channels (WeChat, Tmall and JD.com), rather than through a dedicated SMWS website. The contracts that SMWS has entered into with Tmall and JD.com are subject to termination on relatively short notice (30 days in relation to Tmall and 15 days in relation to JD.com). If either of these contracts were to be terminated it may have a material adverse impact on the Group's operations in China and given the short notice periods the Group may not have sufficient time to put in place alternative arrangements for members in China to purchase products. This may lead to a disruption in sales in China which could impact relationships with members and in turn adversely affect the Group's prospects, results of operations and financial condition.

The uncertainty and unpredictability caused by Brexit may result in adverse effects for the Group

The uncertainty and unpredictability concerning the UK's future laws and regulations (including financial laws and regulations, tax and free trade agreements, immigration laws and employment laws) as well as its legal, political and economic relationships with EU member states following its exit from the EU, may continue to be a source of instability in international markets, create significant currency fluctuations or otherwise adversely affect trading agreements or similar cross-border cooperation arrangements (whether economic, tax, fiscal, legal, customs, regulatory or otherwise) for the foreseeable future. The long-term effects of Brexit will depend on the implementation of the trade and cooperation agreement entered into between the UK and the EU and any future agreements (or lack thereof) between the UK and the EU and, in particular, any potential changes in the arrangements for the UK to retain access to EU markets. Brexit could result in adverse economic effects across the UK and Europe, which could have a material adverse effect on the Group's business, financial condition, operating results and prospects. In addition, as the UK is no longer part of the EU there is a risk that in the future the transfer of goods between the UK and the EU may become subject to import/export duties and/or non-tariff trade barriers, in addition to current and any future increased levels of import or export administration or bureaucracy. Accordingly, Brexit could result in adverse effects for the Group which could have a material adverse effect on the Group's business, financial condition, operating results and prospects.

The Company has sought to navigate such increased levels of administration and bureaucracy in arranging the import of its products into the EU since 1 January 2021, which (as with many UK exporters across sectors) has resulted in slower than pre-2021 delivery speeds for products to members of The Scotch Malt Whisky Society based in the EU. Delays in this regard carry the risks of both impacting upon the Group's revenue recognition for EU sales in terms of which revenue is not recognised until the product is received into the EU as well as member engagement and retention in the EU in the event that prolonged delays were

to be experienced. However, the Directors have established procedures for ensuring delivery of products to the EU in the period from 1 January 2021 to date and such arrangements continue to be kept under review to ensure maximum efficiency as this situation evolves.

The Group operates in certain jurisdictions through franchises, joint ventures and partner bars

SMWS has six franchise agreements in place covering the sale of products (and franchise operations) in each of Canada, Taiwan, Denmark, Switzerland/ Lichtenstein, New Zealand and South Africa and expects to finalise the terms of an additional franchise agreement covering products and operations in Mexico. In addition, drams of SMWS whisky are sold in around 100 partner bars around the world. The franchises and partner bars are independent operators. The Group maintains some control over the franchises through the enforcement of the franchise agreements. The Group regularly monitors partner bars, but for the most part has no contractual relationship with them. The Group's image, brands and reputation may suffer in certain jurisdictions, if the franchises or partner bars that operate in those jurisdictions do not uphold the standards of the Group. This could have an adverse effect on the Group's ability to maintain and attract new members in those jurisdictions.

The Group operates in China and Japan through joint venture companies. The Group owns 65 per cent. of SMWS China and 70 per cent. of SMWS Japan. The counterparties in both joint venture companies are individuals who are longstanding professional partners of the Directors and are key to the Group's operations in those jurisdictions. The shareholders' agreements with each joint venture partner contain "put and call options" over the shares allocated to the joint venture partner in the relevant joint venture company (as further described in paragraph 11.8 of Part 4 of this Document). The shares allocated to the joint venture partners represent minority positions in the joint venture companies. The options over the shares in SMWS Japan became exercisable in April 2021 and the options over the shares in SMWS China will become exercisable in December 2021. While the Directors are currently not aware of any intention by any of the parties to exercise these options, if they were to be exercised, the Group may have to purchase the relevant joint venture partner's shareholding in the joint venture company (potentially at a significant cost to the Group) and would have to consider whether to enter into a new shareholders' agreement with a different joint venture party or put a new structure in place, such as a franchise or a new subsidiary. It may take the Group time to establish an alternative arrangement and there can be no guarantee that the new arrangement would perform as well as the current arrangements. Both of these factors could materially adversely affect the Group's competitive position, revenues and operations in the relevant market, particularly in China which is a key market for the Group's operations.

The Group's overseas operations are reliant on finding and maintaining reputable and appropriate importers, distributors and customer service providers on favourable commercial terms

For some overseas territories, the Group enters into agreements with third-party importers for the distribution of the Group's products on an exclusive basis. This is particularly important in relation to the Group's US operations due to the unique three tier regulatory system in the US. These agreements are generally for a fixed term and terminable upon a short notice period. Any failure to renew agreements with third-party importers on terms acceptable to the Group, the termination of these agreements or a dispute with importers, or the termination or failure of any other party or arrangement in the distribution chain could in each case result in disruption to the Group's normal distribution channels, incurrence of breakage costs and loss of sales or members. The Group may not be able to satisfactorily replace any of its third-party importers on a timely basis or at all, which could materially disrupt the Group's operations in the relevant market. In addition, the Group relies on the performance of its importers and its operations may be adversely affected by poor performance, misconduct or fraud on their part. Any consolidation among importers may also impact the Group's ability to renegotiate import agreements on favourable terms, if at all, which could adversely affect the Group's competitive position and operations in the relevant market.

The Group's success depends on retaining and replacing key personnel and attracting highly skilled individuals

The Group's success depends substantially upon the efforts and abilities of its key personnel, its ability to retain such personnel and to successfully manage succession in key roles. The Group's executive management team has significant experience, knowledge and connections in the industry in which the Group operates. The loss of the services of any member of the executive management team and a failure

to replace them with an individual who has similar levels of experience, knowledge and connections in the industry could have an adverse effect on the Group's operations. Competition for such individuals in the whisky industry is intense. The Group may not be successful in attracting and retaining such individuals in the future, which could have a material adverse effect on the Group's prospects, results of operations and financial condition. The loss of certain individuals in non-managerial positions may also have a material adverse effect on the Group's business where such individuals possess specialised knowledge that is not easily replaceable.

The Group's operations could be adversely affected by breaches of data security or a breakdown of its information technology systems or a failure to develop these systems

The Group is highly reliant on its information technology systems for the processing, transmission and storage of electronic data relating to its operations and financial reporting. A significant portion of communications among the Group's personnel, members of The Scotch Malt Whisky Society and suppliers relies on the efficient performance of information technology systems. As an e-commerce focused business, the success of the Group is dependent on its technical capabilities and it relies to a significant extent on the efficient and uninterrupted operation of its website, and the systems of its third-party suppliers, such as external hosting providers, including the internet.

Despite the Group's security measures and back-up systems, its information technology and infrastructure may be vulnerable to attacks by hackers, computer viruses or malicious code or may be breached due to employee error, malfeasance or affected by other disruptions, including as a result of natural disasters or telecommunications breakdown or other reasons beyond the Group's control. If one or more such events occur, it could cause material disruptions or delays to the Group's operations and result in the loss of revenues as well as confidential information, which could expose the Group to liability and cause its business and reputation to suffer. The Group may also be required to expend significant capital and other resources to alleviate problems caused by such breaches or failures. Any of the foregoing could have a material adverse effect on the Group's prospects, results of operations and financial condition.

The Group holds some personally identifiable information of its customers, employees and other stakeholders and the Group is subject to data protection and privacy regulations such as the General Data Protection Regulation (EU) 2016/679 (the "**GDPR**"), which forms part of UK domestic law pursuant to the Data Protection, Privacy and Electronic Communications (Amendments etc) (EU Exit) Regulations 2019. The Group has policies and procedures in place in relation to data protection but there can be no guarantees that even strict compliance with such policies and procedures will completely eliminate all risk in this regard. Any perceived or actual failure by the Group, including by its third-party service providers, to protect confidential data or any material non-compliance with privacy or data protection or other consumer protection laws or regulations may harm the Group's reputation and credibility, adversely affect revenue, reduce its ability to attract and retain customers and consumers, result in litigation or other actions being brought against the Group and the imposition of significant fines and, as a result, could have a material adverse effect on the Group's business, financial condition, results of operations, reputation and prospects.

The Group may not be able to protect its intellectual property rights

The Group owns and licenses trademarks and other intellectual property rights that are important to its business and competitive position. The Group cannot ensure that third parties will not infringe on or misappropriate these rights by, for example, imitating the Group's products, asserting rights in, or ownership of, the Group's trademarks or other intellectual property rights or in trademarks that are similar to trademarks that the Group owns and licenses. In addition, the Group may fail to discover infringement of its intellectual property, and/or any steps taken or that will be taken by it may not be sufficient to protect its intellectual property rights or prevent others from seeking to invalidate its trademarks or block sales of its products by alleging a breach of their trademarks and intellectual property.

Certain countries in which the Group operates may offer less stringent intellectual property protection than is available in Western Europe and the US. If the Group is unable to protect its intellectual property rights against infringement or misappropriation, or if others assert rights in or seek to invalidate its intellectual property rights, this could materially adversely affect the Group's brand strength and, accordingly, its prospects, results of operations and financial condition and its ability to develop its business.

The Group is and may in the future be subject to litigation

The Group, like many others in the alcoholic beverages industry, is and may in the future be subject to litigation in the ordinary course of its operations such as intellectual property claims, product liability claims, product labelling disputes, duty and tax disputes and administrative claims. If such litigation results in fines or damages payments, or the Group being required to alter its trademarks, labels or packaging, or causes reputational damage to the Group or its brands, the Group's business could be materially adversely affected. Significant claims or a substantial number of small claims may also be expensive to defend and may divert management time and resources away from the Group's operations, which could disrupt operations and have a material adverse effect on the Group's results of operations and financial condition.

In addition, litigation and complaints from consumers or government authorities relating to beverage quality, illness, injury, alcohol abuse, illegal sales, targeted advertising of alcoholic beverages to underage consumers and health concerns or other issues resulting from excessive alcohol consumption may affect the industry as a whole. Any such litigation or adverse publicity and any future governmental restrictions regarding the production, marketing, advertising, sale or consumption of alcoholic beverages sold due to any such litigation, adverse publicity or restrictions may result in a significant reduction in the Company's revenue and a potentially material adverse effect on its prospects.

The Group may be subject to regulatory change or uncertainty

As a result of its international operations, the Group's products are subject to various laws, regulations and standards in each of the jurisdictions in which products are sold. There can be no assurance that future laws, regulations and/or standards will not have a material adverse effect on the Group. In particular, changes (a) to health, food and drink safety regulations could increase costs and may also have a material adverse effect on sales if, as a result, the public attitude towards the Group's products, or spirits generally, is affected; (b) to health and safety legislation could increase costs (including costs in relation to complying with such legislation); (c) in laws and regulations relating to manufacturing and bottling requirements, packaging and labelling requirements, licensing requirements, advertising restrictions and standards (including any restrictions, requirements or prohibitions in relation to the advertising of alcoholic drinks), or the sale or consumption of alcoholic drinks (including any laws or regulations relating to minimum pricing); and (d) to laws and regulations relating to e-commerce, particularly in the three tier regulatory system in the US where laws and regulations exist at both a federal and state level with both overall duties and taxation and personal consumption allowances varying considerably by state, could adversely affect the business of the Group.

The Directors believe that the aforementioned laws and regulations are not always fully transparent, can be difficult to interpret, may be applied and enforced inconsistently and, in the case of US e-commerce related laws and regulations, are expected to continue to evolve particularly during and following the Covid-19 pandemic. As a result, the interpretation and enforcement of these laws and regulations in the countries where the Group operates involves uncertainties and, as a result, the Group may be required to evolve its business model, particularly in relation to the US and in response to any future changes in e-commerce related laws and regulations. Whilst the Group has consulted with third party legal experts and the Directors are not aware, nor do they have reasonable cause to believe, that the Group's operations have infringed any laws or regulations, any changes to the interpretation of the regulatory environment, including the three tier regulatory system in the US, could have a material adverse effect on the Group's prospects, results of operations and financial condition.

Changes in tax legislation, or the Group's tax position, could adversely affect the Group's profitability

Changes to the tax regime (such as an increase in VAT or equivalent taxes) could result in increases in prices of the Group's products to members and/or other consumers and impact demand for the Group's products and its overall profitability.

The warehouses that the Group uses to store stock have warehouse bonded status and therefore customs duty and VAT payments in relation to the stock is deferred until the stock is sold or removed from the warehouses. The Group has procedures and controls in place to ensure HMRC rules are fully complied with and no issues have arisen at any warehouse site with HMRC. However, should an issue arise in the future and there is a loss of warehouse bonded status there would be a potential increase in working capital requirements with customs duty and VAT payments payable immediately.

In addition, changes to the Group's structure, business and operations (including growth and increased sales or operations in countries in which it already operates) could have the effect of changing the way in which the Group is taxed in jurisdictions in which it operates. For example, if the Group is considered by the relevant taxation authorities to have a permanent establishment in a country in which it does not at present (such as the US), the Group may become subject to taxation in that jurisdiction which may increase the Group's overall tax burden.

Changes in duty rates could adversely affect the Group's profitability

Alcoholic beverages are subject to national excise, import duty and other duties in most countries around the world.

The Directors believe a key risk to profit margins is the rate of duty on the sale of spirits set by HMRC. Duty represents a significant cost that is effectively passed on to the customer. Whilst duty is not paid by the Group directly in relation to exports, the price that overseas purchasers will pay for the Group's products is dependent on their expected margins after the payment of duty due in overseas territories. An increase in any such taxes or duties could have a material adverse effect on the Group's sales revenue or margin, through reducing the level of overall beverage alcohol consumption and/or by encouraging consumers to switch to lower taxed categories of beverage alcohol.

Therefore, if any increase in duty cannot be passed on to the customer it will have a larger impact on margins than any likely cost inflation of other materials used in the production process. In this instance it would likely affect all competitors in the same way.

Any material increase in duty would impact on the Group's industry as a whole, but given the Group's focus on single malt whisky of a relatively high ABV, this would result in higher duty than single malt whisky with an ABV of 40 per cent. The Board consider that, if there was a material increase in duty, a proportion of this would be able to be passed on to the end consumer. However, it is possible that the Group's profit margins could be reduced and the Group would generate less cash available for distribution or reinvestment.

A reduction in the quality of the Group's products could harm the integrity of, or support from members for, the Group's brand and products and adversely affect sales

The success of The Scotch Malt Whisky Society brand depends upon the positive image that members have of the product. A lack of quality in the products or contamination of the Group's products, whether occurring accidentally or through deliberate action, could harm the integrity of, or consumer support for, the brand and could adversely affect sales. Further, contamination or a lack of quality in the products similar to the Group's products or in the same categories as the Group's products howsoever arising could, by association, harm the integrity of or member support for the Group's brand, and could adversely affect sales.

In addition, the Group purchases all of its spirits and the raw materials for the production and packing of its products from third-party producers or on the open market. It may be subject to liability if contaminants in those spirits, raw materials or defects in the glass, distillation, bottling or post-production handling processes lead to low product quality or illness or injury to consumers from the liquid or the containers. In addition, whilst to date the Group has not had any product recalls, the Group may in the future voluntarily recall or withhold from sale, or be required to recall or withhold from sale, products in the event of contamination or damage.

A significant product liability judgment or a widespread product recall may negatively impact the reputation of the Group's brand for a period of time depending on product availability, competitor reaction and consumer attitudes. Even if a product liability claim is unsuccessful or is not fully pursued, resulting negative publicity could adversely affect the Group's reputation and brand image, which may have a material adverse effect on the Group's prospects, results of operations and financial condition.

An unsuccessful launch of a new brand or product may have an adverse impact on consumer perception of the Group

Brand and product innovation is a significant part of the Group's plans for future growth. However, the launch of new brands and products is an inherently uncertain process. The profitable lifespan of those brands and products is also uncertain and it largely depends on the consumer reaction to such brands and products. For example, an unsuccessful launch of a new product may give rise to inventory write-offs and have an adverse impact on consumer perception, and could ultimately have a material adverse effect on the Company's prospects, results of operations and financial condition.

Risks outside the control of the Group may impact its operations

The Group's operations may be adversely affected by risks outside the control of the Group including labour unrest, civil disorder, hostilities, war, subversive activities or sabotage, fires, floods or other catastrophes, pandemics, epidemics or quarantine restrictions.

Since December 2019, there has been a rapid spread of Covid-19. Many countries have during this period imposed particularly restrictive measures to limit the spread of the virus, including, among other things, the temporary interruption of production activities, commercial activities and restrictions on the movement of goods and people.

The Directors consider that the growth in online revenues experienced by the Group during 2020 was due, in part, to the Covid-19 lockdown restrictions in place in the jurisdictions in which the Group sells its products, and the resulting general shift to online purchases. While revenues from online sales increased, the Group experienced a material reduction in revenues deriving from its physical channels (namely its venues and partner bars). The Group has no control over the nature or length of government-led restrictive measures and the impact these measures may have on consumer demand for the type of products the Group sells across the different channels through which the Group operates.

Due to the continuation of the Covid-19 pandemic globally, it is not possible for the Directors to predict how long various restrictions will last or when or if they will be re-introduced. In general, the spread of Covid-19 could lead to a deterioration in the economies of the countries directly affected and at a global level, with possible negative effects on customers' purchasing power. Any further regional or global epidemics or pandemics or the further spread of Covid-19 may have an adverse effect on the Group's business, results of operations and financial condition.

RISKS RELATING TO THE MARKETS IN WHICH THE GROUP OPERATES**The alcoholic beverage industry is intensely competitive**

The principal competitive factors in the Group's industry include product range, branding, pricing, product quality, distribution capabilities and responsiveness to changing consumer preferences and demand. There can be no assurance that the actions of competitors will not affect the Company and as such, forecasting sales of new or existing products is very difficult. If the Company is unable to remain competitive, the future turnover and profitability of the Company could be materially adversely affected.

Expansion into new markets may increase risks for the Group

The Group may decide, in the future, to expand into new markets in order to aid its growth strategy and increase the overall global footprint of the business. Whilst the Group aims to take appropriate precautions when developing new markets, this may involve greater legal, regulatory and commercial risks than those associated with their current markets.

The Group is exposed to foreign currency exchange rate risk that could affect its operating results and comparability of results between financial reporting periods

The Group is subject to foreign currency exchange risk in its transactions because its business involves transactions in a variety of currencies due to its wide distribution network across various jurisdictions. There can be no guarantee that the Group will be able to compensate for or hedge against such exchange rate risks and therefore exchange rate movements could have a material adverse effect on the Group's business and prospects, and its financial performance.

RISKS RELATING TO AN INVESTMENT IN THE ORDINARY SHARES

An investment in shares traded on AIM is perceived to involve a higher degree of risk than other investments

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

The price and liquidity of the Ordinary Shares may be volatile

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

The Company may not be able to pay dividends

The Company's ability to pay dividends to Shareholders will, in part, depend on the availability and upstream payment of cash to the Company from other members of the Group. The Company's principal operating subsidiary is SMWS and, therefore, the Company does not directly receive cash generated by the underlying revenues of the Company. The ability of intermediate Group entities to make upstream cash distributions or loans to each other and the Group is generally subject to applicable laws and other requirements, such as entities' organisational documents, maintenance of capital rules, the terms of financing arrangements, accounting treatment and other factors. Applicable laws may require such entities to have distributable profits, to comply with, amongst other things, restrictions on the amounts distributed by way of dividend, capital and reserve maintenance principles or require them to obtain shareholder or court approval. Applicable laws may also restrict the making of any distribution, loan or other payment or the timing of it. There can be no assurance that the Group will be able to comply with any laws or requirements regulating upstream cash distributions, loans or payments directly or indirectly to the Company.

The market price of the Ordinary Shares could decline as a result of certain Directors or other Shareholders selling their Shares

There can be no assurance that certain Directors or other Shareholders will not elect to sell their Ordinary Shares following the expiry of any applicable lock-up and orderly market arrangements, details of which are set out in paragraph 11.4 of Part 4 of this Document, or otherwise. The market price of Ordinary Shares could decline as a result of any such sales of Ordinary Shares or as a result of the perception that these sales may occur. In addition, if these or any other sales were to occur, the Company may in the future have difficulty in offering Ordinary Shares at a time or at a price it deems appropriate.

The Ordinary Shares have not previously traded on a public market

Prior to Admission, there was no public market for the Ordinary Shares. There can be no assurance that an active market for (and hence strong liquidity in the trading of) the Ordinary Shares will develop upon Admission, or if developed, that such market will be sustained.

There is no guarantee that the Ordinary Shares will continue to be traded on AIM

The Company cannot assure investors that the Ordinary Shares will always continue to be traded on AIM or on any other exchange. If such trading were to cease, certain investors may decide to sell their shares, which could 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.

Shareholders' interests may be diluted as a result of additional equity fundraising

The Group may need to raise additional funds in the future to finance, amongst other things, working capital, expansion of the Group's businesses, new developments relating to existing operations or acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of the Group other than on a *pro rata* basis to existing Shareholders, the percentage ownership of existing Shareholders will be reduced. Shareholders may also experience subsequent dilution and/or such securities may have preferred rights, options and pre-emption rights ranking ahead of the Ordinary Shares.

There can be no assurance that the Company will be able to successfully manage the transition to being a publicly quoted company

One consequence of the Company becoming a publicly quoted company whose shares are admitted to trading on AIM is that certain changes in operations or controls will be required. In addition, an increased awareness is needed of the requirements of being a publicly quoted company and a requirement to ensure that management and staff satisfy a number of new obligations, including those associated with the AIM Rules for Companies, disclosure and financial reporting requirements and enhanced corporate governance. While the Board has made and will continue to make every effort to successfully manage the transition, there can be no assurance that the Company will be able to successfully manage the transition, and failure to do so could have a material adverse effect on the Company's business, financial condition and/or operating or financial results.

Before making an investment in the Company investors should be aware of the risks of investing in AIM quoted shares

The AIM Rules for Companies are less onerous than the Listing Rules of the FCA. The FCA has not examined or approved the contents of this Document. Shareholders and prospective investors (as appropriate) should be aware of the risks of investing in AIM quoted shares and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

Prospective investors should therefore consider carefully whether an investment in the Company is suitable for them, in light of the risk factors outlined above, their personal circumstances and the financial resources available to them.

PART 3
HISTORICAL FINANCIAL INFORMATION

Section A: Accountant's Report



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3 June 2021

Dear Sir or Madam

The Artisanal Spirits Company plc (the “Company”) and its subsidiary undertakings (together, the “Group”)

Introduction

We report on the financial information set out in Section B of Part 3 of the admission document (the “**Admission Document**”) dated 3 June 2021 of the Company.

Opinion on financial information

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Group as at 31 December 2018, 31 December 2019 and 31 December 2020 and of its results, cash flows and changes in equity for the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Responsibilities

The directors of the Company are responsible for preparing the 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 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 the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. We are independent of the Company in accordance with the Financial Reporting Council's Ethical Standard as applied to Investment Circular Reporting Engagements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Conclusions relating to going concern

We have not identified any material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the ability of the Group to continue as a going concern for a period of at least twelve months from the date of the Admission Document. Accordingly the use by the directors of the Company of the going concern basis of accounting in the preparation of the financial information is appropriate.

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, to the best of our knowledge, the information contained in this report is in accordance with the facts and makes no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

BDO LLP

Chartered Accountants

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Section B: Historical financial information on the Group

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2018 £'000	2019 £'000	2020 £'000
Continuing operations				
Revenue	4	12,148	14,645	15,026
Cost of sales		(4,891)	(6,112)	(6,222)
Gross profit		7,257	8,533	8,804
Selling & Distribution expenses		(2,594)	(3,178)	(2,979)
Administrative expenses		(5,196)	(5,927)	(6,938)
Finance costs		(268)	(439)	(499)
Other income	4	–	–	410
Loss on ordinary activities before taxation		(801)	(1,011)	(1,202)
Taxation	8	(102)	(330)	(418)
Loss for the year		(903)	(1,341)	(1,620)
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Movements in cash flow hedge reserve		(22)	54	51
Movements in translation reserve		11	–	–
Tax relating to other comprehensive profit/(loss)		4	(9)	(11)
		(7)	45	40
Total comprehensive loss for the year		(910)	(1,296)	(1,580)
Loss for the year attributable to:				
– Owners of parent company		(1,040)	(1,577)	(1,688)
– Non-controlling interest		137	236	68
		(903)	(1,341)	(1,620)
Total comprehensive loss for the year attributable to:				
– Owners of parent company		(1,047)	(1,532)	(1,648)
– Non-controlling interest		137	236	68
		(910)	(1,296)	(1,580)
Basic EPS (pence)	10	(8.0p)	(11.6p)	(12.2p)
Diluted EPS (pence)	10	(8.0p)	(11.6p)	(12.2p)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2018 £'000	2019 £'000	2020 £'000
Non-current assets				
Investment property	11	230	391	391
Property, plant and equipment	12	2,896	5,700	5,785
Intangible assets	13	2,673	2,613	2,599
		<u>5,799</u>	<u>8,704</u>	<u>8,775</u>
Current assets				
Inventories	15	16,815	20,953	21,651
Trade and other receivables	16	1,851	2,547	1,956
Forward currency contracts		–	32	83
Cash and cash equivalents	17	1,060	1,536	2,176
		<u>19,726</u>	<u>25,068</u>	<u>25,866</u>
Total assets		<u>25,525</u>	<u>33,772</u>	<u>34,641</u>
Current liabilities				
Trade and other payables	19	1,893	3,622	3,157
Forward currency contracts		22	–	–
Current tax liabilities	19	265	428	332
Financial liabilities	18	7,490	12,940	14,963
Lease liability	20	–	146	139
Convertible loan notes	18	4,040	–	–
		<u>13,710</u>	<u>17,136</u>	<u>18,591</u>
Net current assets		<u>6,016</u>	<u>7,932</u>	<u>7,275</u>
Non-current liabilities				
Financial liabilities	18	288	833	901
Lease liability	20	–	1,546	1,428
Deferred tax liabilities	9	153	241	324
Provisions	21	262	264	404
		<u>14,413</u>	<u>20,020</u>	<u>21,648</u>
Total liabilities		<u>14,413</u>	<u>20,020</u>	<u>21,648</u>
Net assets		<u>11,112</u>	<u>13,752</u>	<u>12,993</u>
Equity				
Called up share capital	24	105	131	135
Share premium account	25	11,869	15,980	99
Translation reserve	28	3	(48)	(15)
Retained earnings	30	(1,183)	(2,687)	12,544
Cash flow hedge reserve	27	(18)	27	67
Other reserves	29	99	–	–
		<u>10,875</u>	<u>13,403</u>	<u>12,830</u>
Equity attributable to parent company		<u>10,875</u>	<u>13,403</u>	<u>12,830</u>
Non-controlling interest		237	349	163
Net assets		<u>11,112</u>	<u>13,752</u>	<u>12,993</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

£'000	Called up share capital	Share premium account	Retained earnings	Cash flow hedge reserve	Translation reserve	Other reserves	Total controlling interest	Non- controlling interest	Total Equity
Balance as at									
1 January 2018	105	11,869	(195)	–	(8)	–	11,771	100	11,871
Loss for the period	–	–	(1,040)	–	–	–	(1,040)	137	(903)
Share based compensation	–	–	52	–	–	–	52	–	52
Convertible loan equity	–	–	–	–	–	99	99	–	99
Transfer to revaluation reserve	–	–	24	–	–	–	–	–	–
Other comprehensive loss	–	–	–	(18)	11	–	(7)	–	(7)
Balance at									
31 December 2018	105	11,869	(1,183)	(18)	3	99	10,875	237	11,112
Conversion of loan to equity	26	4,111	40	–	–	(99)	4,078	–	4,078
Loss for the period	–	–	(1,577)	–	–	–	(1,577)	236	(1,341)
Share based compensation	–	–	33	–	–	–	33	–	33
Dividend paid	–	–	–	–	–	–	–	(124)	(124)
Transfer to revaluation reserve	–	–	24	–	–	–	–	–	–
Other comprehensive loss	–	–	–	45	(51)	–	(6)	–	(6)
Balance at									
31 December 2019	131	15,980	(2,687)	27	(48)	–	13,403	349	13,752
Issue of share capital	4	987	–	–	–	–	991	–	991
Loss for the period	–	–	(1,688)	–	–	–	(1,688)	68	(1,620)
Share based compensation	–	–	51	–	–	–	51	–	51
Dividend paid	–	–	–	–	–	–	–	(254)	(254)
Share premium reduction	–	(16,868)	16,868	–	–	–	–	–	–
Other comprehensive gain	–	–	–	40	33	–	73	–	73
Balance at									
31 December 2020	135	99	12,544	67	(15)	–	12,830	163	12,993

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	2018 £'000	2019 £'000	2020 £'000
Loss for the year after tax		(903)	(1,341)	(1,620)
Adjustments for:				
Taxation charged		102	330	418
Finance costs		268	439	499
Interest receivable		–	–	(19)
Movements in provisions	21	2	2	2
Share based payments	26	52	33	51
Depreciation of tangible assets		298	526	683
Amortisation of intangible assets		197	227	283
(Profit)/loss on disposal of assets		–	(7)	250
Movements in working capital:				
(Increase)/decrease in stocks		(4,466)	(4,138)	(698)
(Increase)/decrease in debtors		206	(696)	591
Increase/(decrease) in creditors		28	1,848	(655)
Cash absorbed by operations		(4,216)	(2,777)	(215)
Income taxes paid		(99)	(169)	(327)
Interest paid		(266)	(439)	(477)
Net cash outflow (used in)/ from operating activities		(4,581)	(3,385)	(1,019)
Cash flow from investing activities				
Purchase of intangible assets	13	(215)	(167)	(437)
Purchase of property, plant and equipment	12	(733)	(1,507)	(660)
Purchase of investment property	11	(230)	(161)	–
Proceeds received on sale of fixed assets		–	13	1
Interest receivable	4	–	–	19
Net cash used in investing activities		(1,178)	(1,822)	(1,077)
Cash flows from financing activities				
Asset backed lending drawn down		1,751	5,369	1,980
Dividends paid		–	(124)	(254)
Loan received		4,140	648	214
Repayment of loan		(16)	(22)	(103)
Share issue		–	–	991
Repayment of leases		–	(137)	(125)
Net cash from financing activities		5,875	5,734	2,703
Net increase in cash and cash equivalents		116	527	607
Cash and cash equivalents at beginning of year		933	1,060	1,536
Foreign exchange translation differences		11	(51)	33
Cash and cash equivalents at end of year		1,060	1,536	2,176
Relating to:				
Bank balances and short term deposits		1,060	1,536	2,176

NOTES TO THE FINANCIAL INFORMATION

1 Corporate Information

The Artisanal Spirits Company plc ("the Company") was incorporated in Scotland on 3 November 2014 and is domiciled in the United Kingdom. The Company's registered office is The Vaults, 87 Giles Street, Edinburgh, EH6 6BZ.

The Group consists of the Company and its subsidiaries. The Group sells whisky and associated products and services in the United Kingdom and internationally.

2 Accounting policies

2.1 Accounting convention

This historical financial information ("Historical Financial Information") has been prepared on a going concern basis under the historical cost convention; in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, the International Financial Reporting Interpretations Committee (IFRIC) interpretations issued by the International Accounting Standards Boards ("IASB") that are effective or issued and have been adopted as at the time of preparing this Historical Financial Information.

The financial information has been prepared on the historical cost basis, with the exception of investment properties and derivatives recognised at fair value. The principal accounting policies adopted are set out below.

The Company's functional and presentational currency is the pound sterling. Monetary amounts in the financial information are rounded to the nearest pound. The foreign subsidiaries have different functional currencies – see further detail in note 2.7.

IFRS 16 Leases was implemented with effect from 1st January 2019.

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023.

The Group is currently assessing the impact of these new accounting standards and amendments. The Group does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities, as the conversion feature in its convertible debt instruments is classified as an equity instrument and therefore, does not affect the classification of its convertible debt as a non-current liability.

Other

IFRS 17 Insurance contracts including Amendments to IFRS 17 (issued on 25 June 2020 – effective in the year ending 31 December 2023) which replaces IFRS 4. Based on an initial assessment, the Group believes that the adoption of IFRS 17 will not have an impact on the consolidated statement of comprehensive income or the consolidated statement of financial position.

The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the group.

2.2 Basis of consolidation

The consolidated financial information incorporates the financial information of the Company and its subsidiary undertakings (collectively the “Group” and individually “Group companies”), made up to 31 December 2018, 31 December 2019 and 31 December 2020.

2.3 Business combinations and goodwill

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The cost of an acquisition is measured as the aggregate of the consideration transferred at the acquisition date plus any deferred or contingent consideration. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

Where fair value of the aggregate consideration paid is below the fair value of the separately identifiable assets and liabilities at the acquisition date, the balance is recognised as a gain on bargain purchase immediately in the statement of comprehensive income.

Where fair value of the aggregate consideration paid is above the fair value of the net assets acquired, goodwill is recognised in the statement of financial position. It is initially measured as an asset at cost and is subsequently measured at cost less impairment losses. Any contingent consideration is measured at fair value at the date of acquisition.

2.4 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

2.5 Transactions

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated on consolidation.

2.6 Going concern

The financial information has been prepared on the basis that the group will continue as a going concern. The directors have considered relevant information, including annual budget sensitivities, forecast future cash flows up until June 2022, availability of financing and the impact of subsequent events in making their assessment.

The directors have considered in detail the impact COVID-19 has had on the Group's business to date and based on their forecasts and sensitivity analysis including the potential impact of further lockdown scenarios, are satisfied there is sufficient headroom in their cashflow forecasts to continue to operate as a going concern.

Based on this assessment, and taking into account the Group's and the Company's current position (but not including any new equity investment), the directors have a reasonable expectation that the Group and the Company will be able to continue in operation and meet its liabilities as they fall due over the 12 month period of their assessment.

These financial statements do not include any adjustments to the balance sheet value of assets and their recoverable amounts or to provide further liabilities which may arise if the going concern basis of preparation is inappropriate.

2.7 **Foreign currency transactions**

In preparing the financial information, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

The assets and liabilities of operations whose functional currency is not sterling are translated to sterling at exchange rates ruling at the statement of financial position date. The revenues and expenses of these operations are translated to sterling at rates approximating to the exchange rate ruling at the dates of the transactions. Exchange rate differences arising on retranslation are recognised in other comprehensive income and accumulated within a separate component of equity, the translation reserve and are released upon disposal of the non-sterling operation.

2.8 **Revenue**

IFRS 15 Revenue from Contracts with Customers establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Where the performance obligation is the supply of goods (e.g. whisky, spirits, food, and other point of sale material) which is satisfied at the point in time the goods are transferred to the customer, the Group will recognise revenue at that point in time. Revenue relating to the sale of whisky and other spirits includes excise duty.

The Group generates some of its revenue from sales of membership subscription/renewal to members on an annual contract obligation. Here the sales are recognised evenly over the 12 months of the contract, in line with the period of performance obligation.

Where the membership sale consists of a bundle of components e.g. membership with a bottle of whisky, the sale of the physical goods is recognised at the point of sale and the membership income is recognised evenly over the 12 months of the contract, in line with the period of performance obligation.

In the China and Japan operations, a customer loyalty programme is operated where members accumulate points for purchases which entitle them to discount on future purchases. A contract liability for the award points is recognised at the time of sale. However, as unused points expire when a member subscription is not renewed, management make a judgement on the likely percentage of points that will be renewed. This is based on actual member retention levels in those markets. The liability recognised in the consolidated statement of financial position being that percentage of the total value of unused points at the end of the year.

2.9 **Property, plant and equipment**

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

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Land and buildings freehold	50 years
Land and buildings leasehold	25 years
Leasehold improvements	4 – 10 years
Fixtures, fittings & equipment	4 – 10 years
Casks	20 years
Right of use assets	15 – 25 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is recognised in the Statement of Comprehensive Income.

Right of use assets are depreciated over the term of the relevant lease, including extension option periods where the directors are reasonably certain the extensions will be executed.

2.10 Intangible assets

Goodwill

Goodwill is stated at cost less any accumulated impaired losses.

Trademarks and customer lists

Trademarks and customer lists are initially recognised at their fair value on acquisition. Trademarks and customer lists are amortised over their useful life of 14 and 7 – 8 years respectively. Amortisation methods and useful lives are reviewed at each reporting date and adjusted if appropriate.

Website

The carrying value of the website represents the fair value of the domain name and the cost of the compilation of the website. The website is amortised over its useful life of 5 years. Amortisation methods and useful life are reviewed at each reporting date and adjusted if appropriate.

Computer software

Computer software represents the fair value of the two stock systems used within the Group. The software for both systems is depreciated over 4 years. Amortisation methods and useful lives are reviewed at each reporting date and adjusted as appropriate.

2.11 Impairment of tangible and intangible assets

At each reporting end date, the Group reviews its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows.

2.12 Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially measured at cost and is subsequently measured using the fair value model and stated at its fair value at the reporting end date. The surplus or deficit on revaluation is recognised in the statement of comprehensive income.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises materials, direct labour and related fixed and variable production overheads. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs to make the sale.

2.14 Cash and cash equivalents

Cash and short term deposits in the statement of financial position comprise cash at banks and in hand and short term deposits with an original maturity of three months or less. In the consolidated statement of cash flows, the asset backed lending facility is presented as a financial liability rather than as a negative cash or cash equivalent, in accordance with accounting standards. This amended presentation basis differs from the presentation basis used in previously published statutory accounts.

2.15 **Financial instruments**

Financial instruments are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial information only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

IFRS 9 brings together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

Regarding impairment, IFRS 9 requires the Group to record expected credit losses on all applicable financial assets e.g. loans and receivables, trade receivables and bank balances, either on a 12-month or lifetime basis. The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and other receivables. To measure expected credit losses on a collective basis, trade receivables and other receivables are grouped based on similar credit risk and aging.

Current receivables and payables

The carrying value of trade and other receivables/payables classified as financial assets/liabilities measured at amortised cost approximates fair value.

These are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

2.16 **Derivatives**

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in statement of comprehensive income immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in statement of comprehensive income depends on the nature of the hedge relationship. A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

2.17 **Hedge accounting**

During the year to 31 December 2020, the Group entered into forward contracts to hedge against the foreign currency risk on 75% (2019: 70%, 2018: 70%) of their USD aged receivables.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income (OCI). Any ineffective portion of the hedge is recognised immediately in the statement of comprehensive income.

For cash flow hedges, where the forecast transactions resulted in the recognition of a financial asset or financial liability, the hedging gain or loss recognised in OCI is included in the initial cost or other carrying amount of the asset or liability. When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the statement of comprehensive income immediately.

2.18 **Convertible loan**

The component parts of compound instruments issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component

from the fair value of the compound instrument as a whole. This is recognised and included in equity net of income tax effects and is not subsequently remeasured. Issue costs are set off against the remaining loan balance and amortised over the life of the loan.

2.19 **Equity instruments**

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

2.20 **Taxation**

Corporation tax is accounted for using the taxes payable method. The corporation tax expense recorded in the statement of comprehensive income for the period represents the corporation tax payable for the period.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial information and the corresponding tax bases used in the computation of taxable profit and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

2.21 **Employee benefits**

The Group operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the statement of comprehensive income in the year they are payable.

2.22 **Leases**

IFRS 16 requires management to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

During the year to 31 December 2019, the Group adopted IFRS 16 utilising the modified retrospective approach (simplified) which resulted in no restatement of prior year figures. Using this approach, the lease liability was calculated on a forward-looking basis from the transition date with the right of use asset value calculated as being equal to the lease liability. At that date management completed a review of all leased assets, short term and long term, as well as arrangements that could be considered a lease (such as service contracts) and concluded that only two assets were of a significant enough value to capitalise and recognise the asset and liability. One of these leases was entered during 2019. There were a number of small value assets of equipment leased by the Group, which have all been determined to be immaterial and therefore excluded from the capitalised assets. The one historical lease impacted by the new standard has been accounted for as a right of use asset under IFRS 16 from 1 January 2019.

Prior to the adoption of IFRS16, a lease was classified at the inception date as a finance lease or an operating lease. A lease that transferred substantially all risks and rewards incidental to ownership to

the Group was classified as a finance lease. Operating lease payments were recognised as an expense on a straight-line basis over the lease term. Rentals payable were charged against statement of comprehensive income as they fell due under the terms of the agreements.

2.23 *Exceptional items*

Exceptional items comprise material and one-off costs that the directors consider as material to the statement of comprehensive income and that their separate disclosure is necessary for an appropriate understanding of the Group's performance.

2.24 *Share based payments*

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black-Scholes model. The fair value determined at the grant date is expensed over the vesting period of the options. A corresponding adjustment is made to equity.

The expense in relation to options over the parent company's shares granted to employees of a subsidiary is recognised by the Company as a capital contribution and presented as an increase in the Company's investment in that subsidiary.

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

2.25 *Provisions*

Provisions are recognised when the Group has a legal or constructive present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

The Group has a provision in place for dilapidations on two of its venues. A corresponding right of use asset has been included in fixed assets.

2.26 *Government grants*

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met, and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

3 Critical accounting estimates and judgements

In preparing this consolidated financial information, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including

expectation of future events that are believed to be reasonable under the circumstances. The critical accounting estimates and judgements are:

Share based payments

The annual charge in respect of share-based payments is recognised in the consolidated statement of comprehensive income within administrative expenses. When determining the charge each year, the directors have made critical accounting judgments on key assumptions including: the share price and volatility of the share price in determining the fair value of options granted.

4 Revenue:

An analysis of the Company's revenue is as follows

	2018 £'000	2019 £'000	2020 £'000
Revenue from sale of whisky	7,947	10,219	12,047
Membership income	1,157	1,273	1,523
Revenue from sale of other spirits	344	284	384
Member rooms	1,245	1,704	552
Events & tastings	1,193	769	340
Other	262	396	180
	<u>12,148</u>	<u>14,645</u>	<u>15,026</u>

An analysis of Group revenue by geographical area is as follows:

	2018 £'000	2019 £'000	2020 £'000
United Kingdom (venue)	3,364	3,538	1,503
United Kingdom (online)	2,147	2,471	3,234
International	6,637	8,636	10,289
	<u>12,148</u>	<u>14,645</u>	<u>15,026</u>

<i>Other operating income</i>	2018 £'000	2019 £'000	2020 £'000
Coronavirus Job Retention Scheme	–	–	169
Government grants (UK)	–	–	187
Government grants (Australia)	–	–	35
Other income	–	–	19
	<u>–</u>	<u>–</u>	<u>410</u>

5 Exceptional items

	2018 £'000	2019 £'000	2020 £'000
ERP system expenditure	–	–	240
Legal and professional fees	50	–	152
	<u>50</u>	<u>–</u>	<u>392</u>

ERP system expenditure incurred is in relation to the Group's research into the development of a new ERP system.

The 2020 legal and professional fees are in relation to costs associated with reviewing fundraising options, including a potential IPO.

The 2018 legal and professional fees are in relation to costs associated with the issue of convertible loan notes.

6 Loss for the year

	2018 £'000	2019 £'000	2020 £'000
Operating loss is stated after charging:			
Amortisation of intangible assets	197	227	283
Depreciation on tangible assets	267	460	600
Cost of inventories recognised as an expense	3,698	4,203	4,737
Leasing costs	201	–	–
Operating loss is stated after charging:			
Net foreign exchange loss	26	17	70

Services provided by the Group's auditor and associates

During the year the Group received the following services from the Group's auditor, Johnston Carmichael LLP and associates:

	2018 £'000	2019 £'000	2020 £'000
Audit services			
Statutory audit – Company	10	15	15
Statutory audit – Subsidiaries	28	40	50
	38	55	65

7 Employees

	2018 £'000	2019 £'000	2020 £'000
Wages and salaries	2,435	2,676	2,886
Social security costs	185	206	217
Pension costs	102	151	158
	2,722	3,033	3,261

The average monthly number of employees (including directors) during the year was:

	2018 Number	2019 Number	2020 Number
Management	15	19	24
Venue staffs	44	44	32
Other support staff	18	23	26
	77	86	82

All employment costs are recognised in administrative expenses.

8 Income tax

	2018 £'000	2019 £'000	2020 £'000
Current income tax			
UK corporation tax	–	–	–
Foreign tax	104	251	346
Deferred tax			
Relating to origination and reversal of temporary timing differences	(2)	79	72
Tax on ordinary activities	<u>102</u>	<u>330</u>	<u>418</u>
Reconciliation of effective tax rate			
Accounting loss before tax	<u>(801)</u>	<u>(1,011)</u>	<u>(1,202)</u>
Loss on ordinary activities multiplied by standard rate of UK corporation tax of 19.00% (2019: 19.00%, 2018: 19.00%)	(152)	(192)	(228)
(Income)/expenses not deductible in determining taxable profit	43	25	(70)
Adjustment in respect of prior years	26	(55)	56
Tax credit for loss not recognised	110	328	238
Depreciation on assets not qualifying for tax allowances	15	28	97
Foreign tax charge in local tax jurisdiction	104	251	346
Amortisation of foreign intangible assets	–	(3)	–
Other movements	<u>(44)</u>	<u>(52)</u>	<u>(21)</u>
Total tax charge	<u>102</u>	<u>330</u>	<u>418</u>

For the year ended 31 December 2020, the UK corporation tax rate of 19% is applied.

A change to the future UK corporation tax rate was announced in the March 2021 budget. The rate will increase to 25% with effect from 1 April 2023. This change has not been substantively enacted at the Statement of Financial Position date and therefore is not recognised in this financial information.

9 Deferred tax

	2018 £'000	2019 £'000	2020 £'000
Deferred tax liabilities	<u>153</u>	<u>241</u>	<u>324</u>
Net deferred tax liability	<u>153</u>	<u>241</u>	<u>324</u>
<i>Reconciliation of deferred tax liability</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Opening liability	159	153	241
Recognised in other comprehensive income	(4)	9	11
Recognised in profit or loss	<u>(2)</u>	<u>79</u>	<u>72</u>
Closing liability	<u>153</u>	<u>241</u>	<u>324</u>

The deferred tax liability is made up as follows:

	2018 £'000	2019 £'000	2020 £'000
Origination and reversal of temporary timing differences	153	241	324
	<u>153</u>	<u>241</u>	<u>324</u>

10 Earnings Per Share (EPS)

	2018 £'000	2019 £'000	2020 £'000
Earnings used in calculation	(1,047)	(1,532)	(1,648)
Number of shares	13,167,078	13,167,078	13,517,955
Basic EPS (p)	(8.0p)	(11.6p)	(12.2p)
Number of dilutable shares	14,223,078	14,424,078	14,899,790
Diluted EPS (p)	(8.0p)	(11.6p)	(12.2p)

All dilutable, potential shares relate to share options as disclosed in note 26. A loss per share is not diluted.

11 Investment property

	Total £'000
Valuation	
As at 1 January 2018	–
Additions	230
As at 31 December 2018	230
Additions	161
As at 31 December 2019	391
Additions	–
As at 31 December 2020	<u>391</u>
Impairment	
As at 1 January 2018	–
Charge for the year	–
As at 31 December 2018	–
Charge for the year	–
As at 31 December 2019	–
Charge for the year	–
As at 31 December 2020	<u>–</u>
Carrying amount	
As at 1 January 2018	–
As at 31 December 2018	230
As at 31 December 2019	391
As at 31 December 2020	<u>391</u>

Given the recency of the additions, the directors consider the cost to be materially equivalent to the valuation.

12 Property, plant and equipment

	<i>Land and buildings freehold £'000</i>	<i>Land and buildings leasehold £'000</i>	<i>Leasehold improvements £'000</i>	<i>Fixtures, fittings & equipment £'000</i>	<i>Casks £'000</i>	<i>Right of use asset £'000</i>	<i>Total £'000</i>
Cost or valuation							
As at 1 January 2018	678	1,616	993	1,171	614	–	5,072
Additions	–	–	–	337	396	–	733
Disposals	–	–	–	–	(1)	–	(1)
As at 31 December 2018	678	1,616	993	1,508	1,009	–	5,804
Implementation of IFRS 16	–	–	(236)	–	–	1,708	1,472
As at 1 January 2019	678	1,616	757	1,508	1,009	1,708	7,276
Additions	–	–	32	657	818	357	1,864
Disposals	–	–	–	(96)	(36)	–	(132)
As at 31 December 2019	678	1,616	789	2,069	1,791	2,065	9,008
Additions	–	–	169	177	314	116	776
Disposals	–	(211)	(460)	(697)	(6)	–	(1,374)
As at 31 December 2020	678	1,405	498	1,549	2,099	2,181	8,410
Accumulated depreciation							
As at 1 January 2018	107	947	447	947	39	123	2,610
Charge for the year	16	76	60	101	36	9	298
As at 31 December 2018	123	1,023	507	1,048	75	132	2,908
Charge for the year	14	76	60	136	97	143	526
On Disposals	–	–	–	(96)	(30)	–	(126)
As at 31 December 2019	137	1,099	567	1,088	142	275	3,308
Charge for the year	16	70	93	219	86	199	683
On Disposals	–	(212)	(460)	(693)	(1)	–	(1,366)
As at 31 December 2020	153	957	200	614	227	474	2,625
Net book value							
As at 1 January 2018	571	669	310	224	575	113	2,462
As at 31 December 2018	555	593	250	460	934	104	2,896
As at 31 December 2019	541	517	222	981	1,649	1,790	5,700
As at 31 December 2020	525	448	298	935	1,872	1,707	5,785

£83k (2019: £66k, 2018: £31k) of the depreciation charge for casks has been capitalised as a cost of stock. The remaining balance has been expensed to the statement of comprehensive income.

13 Intangible assets

	<i>Goodwill £'000</i>	<i>Trade marks £'000</i>	<i>Customer database £'000</i>	<i>Website and computer software £'000</i>	<i>Total £'000</i>
Cost					
As at 1 January 2018	1,282	1,058	343	463	3,146
Additions	–	–	43	172	215
As at 31 December 2018	1,282	1,058	386	635	3,361
Additions	–	–	–	167	167
As at 31 December 2019	1,282	1,058	386	802	3,528
Additions	41	–	30	441	512
Disposals	–	–	–	(456)	(456)
As at 31 December 2020	1,323	1,058	416	787	3,584
Accumulated depreciation					
As at 1 January 2018	–	162	108	221	491
Charge for the year	–	76	51	70	197
As at 31 December 2018	–	238	159	291	688
Charge for the year	–	75	53	99	227
As at 31 December 2019	–	313	212	390	915
Charge for the year	–	74	57	152	283
On Disposals	–	–	–	(213)	(213)
At 31 December 2020	–	387	269	329	985
Net book value					
As at 1 January 2018	1,282	896	235	242	2,655
As at 31 December 2018	1,282	820	227	344	2,673
As at 31 December 2019	1,282	745	174	412	2,613
As at 31 December 2020	1,323	671	147	458	2,599

14 Business combinations

On 28 February 2020, the Group re-acquired its Australian franchise with an investment in a subsidiary for a total consideration of £58,130 excluding legal expenses. Consideration of £50,938 was paid for a 100% shareholding in the subsidiary company. The acquired customer database was fair valued at £30,000 and the historic holiday pay accrual in the Australian franchise of £19,985 was assumed, resulting in goodwill of £40,923.

In the 9 months to 31 December 2020, the acquired business contributed revenue of £620,897 and contributed profit of £102,029 to the Group results.

These were accounted for under the acquisition method of accounting. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The following table sets out the fair values of the identifiable assets and liabilities acquired on the Australian acquisition in 2020.

	<i>Fair value to Group £'000</i>
Intangible assets	
Customer database	30
Current liabilities	
Holiday pay accrual	(20)
Net assets acquired	10
Cash consideration given	51
Goodwill	41

The goodwill balance represents the additional benefits of taking the franchise under ownership and the additional control over the future direction of the business in these markets.

The valuation technique used for measuring the fair values of material assets acquired were as follows:

Intangible assets Intellectual property was valued by a specialist third party valuer. The valuation model considers quoted market prices (e.g. royalty database) for similar items when they are available, using the relief from royalty method of valuation and discounted cashflows to derive the fair value.

Significant unobservable valuation input

Discount factor

Royalty rates

Range

17.5% – 32.5%

1.5% – 5%

15 Inventories

	2018 £'000	2019 £'000	2020 £'000
Cask whisky and bottled stock	16,815	20,953	21,651

The above balance is net of a provision for aged stock of £33,285 (2019: £7,634. 2018: £6,956).

16 Trade and other receivables

	2018 £'000	2019 £'000	2020 £'000
Trade receivables	1,553	1,953	1,711
Other receivables	298	594	245
	1,851	2,547	1,956

The trade receivables balance is shown net of a provision for £25,463 (2019: £25,667, 2018: £3,019).

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value. No significant receivable balances have been impaired.

17 Cash and cash equivalents

	2018 £'000	2019 £'000	2020 £'000
Cash on hand and balances with banks	1,060	1,536	2,176

The directors consider that the carrying amount of cash and cash equivalents is approximately equal to their fair value.

18 Financial Liabilities

	Notes	2018 £'000	2019 £'000	2020 £'000
Asset based lending facility		7,474	12,843	14,823
Convertible loan		4,040	–	–
Bank loans		304	930	946
Other loans		–	–	95
		11,818	13,773	15,864

The asset based lending facility was available to drawdown or repay on demand and was repaid in full from a new Inventory Secured RCF facility during January 2021.

In May 2019, the convertible loan converted into equity.

Analysis of financial liabilities

Financial liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date as follows:

	2018 £'000	2019 £'000	2020 £'000
Current liabilities	11,530	12,940	14,963
Non-current liabilities (1–5 years)	288	833	901

No amounts fall due after more than 5 years.

Reconciliation of the movement in liabilities arising from financing activities

	Notes	2018 £000	2019 £000	2020 £000
At the beginning of the year		6,043	11,818	15,465
Noncash movements:				
Conversion of convertible loan notes to equity		–	(4,040)	–
Cash movements:				
Convertible loan notes issued		4,040	–	–
Proceeds from new borrowings		–	648	214
Repayment of borrowings		(16)	(22)	(103)
Recognition of new lease liabilities	20	–	1,829	–
Lease repayments	20	–	(137)	(125)
Asset backed lending drawn down		1,751	5,369	1,980
		<u>11,818</u>	<u>15,465</u>	<u>17,431</u>
Represented by:				
Financial liabilities		11,818	13,773	15,864
Lease liability	20	<u>–</u>	<u>1,692</u>	<u>1,567</u>

	Balances due within 1 year £000	Balances due after 1 year £000	Total £000
Balance at 1 January 2018	5,739	304	6,043
Cashflows	<u>5,791</u>	<u>(16)</u>	<u>5,775</u>
Balance at 31 December 2018	11,530	288	11,818
Cashflows	<u>1,410</u>	<u>408</u>	<u>1,955</u>
Non-cash movements	<u>146</u>	<u>1,683</u>	<u>1,829</u>
Balance at 31 December 2019	13,086	2,379	15,465
Cashflows	<u>1,898</u>	<u>68</u>	<u>1,966</u>
Non-cash movements	<u>118</u>	<u>(118)</u>	<u>–</u>
Balance at 31 December 2020	<u>15,102</u>	<u>2,329</u>	<u>17,431</u>

The asset-based lending facility is secured by a bond and floating charge over all of the Group's assets including the Company's brand and trademarks, and a corporate guarantee from the Company.

The bank loan is secured by standard securities over the Ground Floor Premises of the Leith property and a legal charge over the Grenville Street property. The loan is interest bearing and interest is due at a rate of 2.50%.

Other loans are unsecured and not interest bearing.

The convertible loan note was non-interest bearing and stated net of legal fees of £59k.

As noted in note 33, on 20 January 2021, the Group signed a new agreement for a three year committed revolving credit facility. The new facility has since been utilised to repay the outstanding asset-backed lending facility in full and the previous asset-backed lending facility has been terminated.

19 Trade and other payables

	2018 £'000	2019 £'000	2020 £'000
Trade payables	462	1,212	1,379
Other payables	920	1,755	1,130
Deferred income	511	655	648
Corporation tax	10	92	111
Other taxes and social security costs	255	336	221
	<u>2,158</u>	<u>4,050</u>	<u>3,489</u>

All year end deferred income balances are recognised in full during the following financial year.

20 Lease liability

	2018 £'000	2019 £'000	2020 £'000
Current liabilities	–	146	139
Non-current liabilities	–	1,546	1,428
Capitalised leases	<u>–</u>	<u>1,692</u>	<u>1,567</u>

Balances relate exclusively to liabilities recognised under IFRS16. During the year to 31 December 2019, the Group adopted IFRS 16 utilising the modified retrospective approach (simplified) which resulted in no restatement of prior year figures. Using this approach, the lease liability was calculated on a forward-looking basis from the transition date with the right of use asset value calculated as being equal to the lease liability.

Measurement of lease liabilities

	£'000
Lease liability recognised as at 1 January 2019	1,472
Add: new leases in the year	357
Less: repayments	<u>(137)</u>
Lease liability recognised as at 31 December 2019	1,692
Less: repayments	<u>(125)</u>
Lease liability recognised as at 31 December 2020	<u>1,567</u>

21 Provisions

	2018 £'000	2019 £'000	2020 £'000
Dilapidation provisions	262	264	404

Movement in the year:

	£'000
At 1 January 2018	260
Charge to statement of comprehensive income	2
At 31 December 2018	262
Charge to statement of comprehensive income	2
At 31 December 2019	264
Charge to statement of comprehensive income	2
Additions	138
At 31 December 2020	404

Provision for dilapidation costs is in relation to costs to reinstate the properties at the end of each individual lease term. Additions in 2020 relate to the new Glasgow venue.

22 Financial instruments – accounting classifications and fair value

Financial assets

Trade and other receivables and cash and cash equivalents are classified as financial assets at amortised cost (See note 16).

Derivative assets are classified as financial assets measured at fair value (level 2 – i.e. those that do not have regular market pricing) through profit or loss.

Financial liabilities

Trade and other payables (excluding deferred income) are classified as financial liabilities are measured at amortised cost (See note 19).

The fair value of both financial assets and financial liabilities have been assessed and there is deemed to be no material difference between fair value and carrying value.

Derivative liabilities are classified as financial liabilities measured at fair value (level 2) through profit or loss.

23 Financial risk management

The Group has exposure to the following financial risks:

- stock valuation;
- credit risk;
- liquidity risk;
- market risk; and
- capital management.

Risk management framework

The Group's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The board of directors oversee how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group on an ongoing basis.

Stock valuation

The Group invests significantly in stock which, due to its nature, takes a considerable period of time to mature. As a result, there is a risk that the realisable value of stock falls below the carrying value of stock, held by the Group. This risk is mitigated by:

- Diversification of whisky stock (across distillers and locations);
- Regular stock tastings to gain assurance over the quality and taste of the whisky stock;
- Ongoing review of whisky market developments and trends, across the globe.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investments in debt securities.

The carrying amount of financial assets represents the maximum credit exposure.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate.

The Group does not require collateral in respect of trade and other receivables.

The maximum exposure to credit risk for trade receivables by geographic region was as follows:

	2018 £'000	2019 £'000	2020 £'000
<i>Carrying amount</i>			
UK and Europe	37	39	52
North America	1,104	1,490	1,381
Rest of World	415	450	303
	<u>1,556</u>	<u>1,979</u>	<u>1,736</u>

Impairment

The ageing of trade receivables that were not impaired was as follows:

	2018 £'000	2019 £'000	2020 £'000
<i>Carrying amount</i>			
Neither past due nor impaired	223	597	1,272
Past due 1-30 days	80	42	27
Past due 31-90 days	560	724	389
Past due 91-120 days	690	590	23
	<u>1,553</u>	<u>1,953</u>	<u>1,711</u>

Management believe that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historical payment behaviour, ongoing commercial relationships, and extensive analysis of customer credit risk.

Cash and cash equivalents

The Group held cash and cash equivalents of £2,176k at 31 December 2020 (2019: £1,536k, 2018: £1,060k) and an asset-backed lending facility of £14,823k (2019: £12,843k, 2018: £7,474k). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated A-2 and P-2, based on Standard and Poor and Moody's ratings.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Exposure to liquidity risk

The following are the contractual maturities of financial liabilities at the reporting date. The amounts are undiscounted.

31 December 2018	<i>Carrying amounts £'000</i>	<i>Contractual cash flows</i>		
		<i>Total £'000</i>	<i>2 months or less £'000</i>	<i>2-12 months £'000</i>
Non-derivative financial liabilities				
Trade payables	462	462	420	42
Other payables	1,207	1,207	–	1,207
	<u>1,669</u>	<u>1,669</u>	<u>420</u>	<u>1,249</u>
31 December 2019	<i>Carrying amounts £'000</i>	<i>Contractual cash flows</i>		
		<i>Total £'000</i>	<i>2 months or less £'000</i>	<i>2-12 months £'000</i>
Non-derivative financial liabilities				
Trade payables	1,212	1,212	1,196	16
Other payables	2,183	2,183	29	2,154
	<u>3,395</u>	<u>3,395</u>	<u>1,225</u>	<u>2,170</u>
31 December 2020	<i>Carrying amounts £'000</i>	<i>Contractual cash flows</i>		
		<i>Total £'000</i>	<i>2 months or less £'000</i>	<i>2-12 months £'000</i>
Non-derivative financial liabilities				
Trade payables	1,379	1,379	1,263	116
Other payables	1,462	1,462	24	1,438
	<u>2,841</u>	<u>2,841</u>	<u>1,287</u>	<u>1,554</u>

Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Forward currency transactions are entered into as part of the foreign exchange hedging procedures. All such transactions are carried out within the guidelines set by the board of directors.

The Group is exposed to currency risk to the extent that there is a fluctuation in foreign exchange rate between the date of the transaction, and the date when amounts are paid. The functional currencies of the Group's trading subsidiaries are sterling, yen, renminbi, Hong Kong dollar and Australian dollar. The

subsidiaries also make sales and purchases in Euros and US dollars. At each financial period end the percentages of trade receivables and payables in foreign currencies were as follows:

	<i>Trade receivables</i>	<i>Trade payables</i>
2018		
USD	65.0%	11.0%
Yen	12.0%	12.0%
Renminbi	0.1%	1%
Euro	1.0%	6.0%
	<i>Trade receivables</i>	<i>Trade payables</i>
2019		
USD	76.3%	45.9%
Yen	12.3%	1.9%
Renminbi	1.8%	0.0%
Euro	0.0%	0.6%
HKD	0.0%	3.2%
2020		
USD	80.7%	25.8%
Yen	5.6%	3.9%
Renminbi	9.5%	0.02%
Euro	0.0%	2.1%
HKD	0.0%	0.8%
AUD	0.0%	2.8%

Interest rate risk

At 31 December 2020, if market interest rates had been 25 basis points higher/lower with all other variables held constant, post-tax loss for the year would have been £37.1k (2019: £32.1k, 2018: £18.7k) lower/higher.

Foreign exchange risk

At 31 December 2020, if GBP had strengthened by 10% against USD with all other variables held constant, post-tax loss for the year would have been £156k (2019: £138k, 2018: £133k) lower/higher, mainly as a result of foreign exchange gains on translation of USD trade receivables and trade payables. During the year to 31 December 2020, the Group entered into forward contracts to hedge against the foreign currency risk on 75% (2019: 70%, 2018: 70%) of their USD aged receivables.

The summary quantitative data about the Group's exposure to currency risk (excluding the impact of USD forward contracts noted above) as reported to the management of the Group is as follows:

	<i>Trade receivables £'000</i>	<i>Trade payables £'000</i>	<i>Net exposure £'000</i>
2018			
USD	1,014	(53)	961
Yen	189	(54)	135
Renminbi	2	(6)	(4)
Euro	12	(26)	(14)
2019			
USD	1,490	(550)	940
Yen	240	(23)	217
Renminbi	34	–	34
Euro	–	(7)	(7)
HKD	–	(38)	(38)

	Trade receivables £'000	Trade payables £'000	Net exposure £'000
2020			
USD	1,381	(356)	1,031
Yen	96	(54)	42
Renminbi	162	(3)	159
Euro	–	(29)	(29)
HKD	–	(11)	(11)
AUD	1	(39)	(38)

The following significant exchange rates have been applied during the year:

	Average rate 2018	Year end spot rate 2018	Average rate 2019	Year end spot rate 2019	Average rate 2020	Year end spot rate 2020
GBP						
Euro	0.8475	0.9020	0.8772	0.8502	0.8775	0.9045
USD	0.7501	0.7849	0.7828	0.7579	0.7474	0.7364
Yen	0.0068	0.0072	0.0072	0.0070	0.0071	0.0071
Renminbi	0.1134	0.1141	0.1137	0.1091	0.1108	0.1128
AUD	–	–	–	–	0.5316	0.5642

The foreign exchange risk of USD trade receivables is partly mitigated by the use of forward contracts.

Capital management

For the purpose of the Group's capital management, capital includes issued share capital, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of investors. To maintain or adjust the capital structure, the Group may adjust the dividend paid to shareholders, return capital to shareholders or issue new shares. The Group's policy is to maintain sufficient capital to allow for future investment in growth of the business.

During 2018, the Group received convertible debt which was converted into equity in 2019.

During 2019, the Group cancelled £16.9m of share premium which resulted in a corresponding increase in retained earnings.

24 Issued capital and reserves

	2018 No.	2018 £'000	2019 No.	2019 £'000	2020 No.	2020 £'000
Allotted, called up and fully paid						
Ordinary "A" shares	8,304,166	83	8,304,166	83	8,304,166	83
Ordinary "B" shares	2,259,022	22	4,862,912	48	5,213,789	52
	<u>10,563,188</u>	<u>105</u>	<u>13,167,078</u>	<u>131</u>	<u>13,517,955</u>	<u>135</u>

The shares rank *pari passu*.

25 Share premium

	<i>Share premium £'000</i>	<i>Share issue expenses £'000</i>	<i>Total £'000</i>
At 1 January and 31 December 2018	11,889	(20)	11,869
Conversion of loan notes to equity	4,114	–	4,114
Share issue expenses	–	(3)	(3)
At 31 December 2019	16,003	(23)	15,980
Issuance of shares	996	(9)	987
Cancellation of share premium	(16,900)	32	(16,868)
At 31 December 2020	99	–	99

During the year to 31 December 2019, loan notes converted to equity. A total of £4,136,686, net of £3,500 expenses, in total equity was raised for the 2,603,890 £0.01 ordinary “B” shares issued resulting in £4,114,147 in share premium for the shares. The legal expenses incurred in relation to the share issue of £3,500 have been offset against the share premium.

During the year to 31 December 2020, the Company received £999,999 in total cash consideration for 350,877 ordinary “B” shares issues resulting in £996,491 share premium for the “B” shares. The legal expenses incurred in relation to the share issue of £9,089 were offset against the share premium.

On 17 December 2020, £16,900,000 of the amount standing to the credit of the share premium account was cancelled and transferred to retained earnings.

26 Share based payments

2020

	<i>Brought forward 000's</i>	<i>Issued in the year 000's</i>	<i>Forfeited in the year 000's</i>	<i>Carried forward 000's</i>	<i>Exercisable at year end 000's</i>
Exercise price					
£1.00	214	–	–	214	214
£1.20	667	–	–	667	667
£1.59	376	125	–	501	351
	<u>1,257</u>	<u>125</u>	<u>–</u>	<u>1,382</u>	<u>1,232</u>

2019

	<i>Brought forward 000's</i>	<i>Issued in the year 000's</i>	<i>Forfeited in the year 000's</i>	<i>Carried forward 000's</i>	<i>Exercisable at year end 000's</i>
Exercise price					
£1.00	214	–	–	214	214
£1.20	667	–	–	667	667
£1.59	175	201	–	376	–
	<u>1,056</u>	<u>201</u>	<u>–</u>	<u>1,257</u>	<u>881</u>

2018

	<i>Brought forward 000's</i>	<i>Issued in the year 000's</i>	<i>Forfeited in the year 000's</i>	<i>Carried forward 000's</i>	<i>Exercisable at year end 000's</i>
Exercise price					
£1.00	214	–	–	214	214
£1.20	667	–	–	667	412
£1.59	–	175	–	175	–
	<u>881</u>	<u>175</u>	<u>–</u>	<u>1,056</u>	<u>626</u>

All share options are equity settled and may be exercised upon satisfaction of certain performance conditions including remaining as an employee.

The estimated fair value of the options issued in the year was calculated by applying the Black Scholes Model. The weighted average fair value of the options at the measurement date was £1.08 (2019: £0.18, 2018: £0.25). The expenses recognised for share based payments in respect of employee services rendered during the year to 31 December 2020 is £51,000 (2019: £33,000, 2018: £52,000).

The model inputs for options issued in the current year were as follows:

	<i>2018</i>	<i>2019</i>	<i>2020</i>
Weighted average share price	£1.59	£1.59	£2.85
Expected volatility	40%	40%	40%
Risk free interest rate	1.19%	0.53%	0.05%
Option life	2 years	2 years	2 years
Dividend yield	0%	0%	0%

Options vest over a two year period, with 1/3 vesting on grant date, 1/3 on the first anniversary of the grant date and 1/3 on the second anniversary of the grant date.

27 Cash flow hedge reserve

This reserve records fair value movements on cash flow hedging instrument and represents the movement in fair value of the cash flow hedge contracts outstanding at each period end, net of deferred tax.

28 Translation reserve

This reserve records foreign exchange movements on Group balances and represents the retranslation of amounts held in foreign subsidiaries on consolidation.

29 Other reserves

This reserve represents the equity element of the convertible loans. The convertible loans were subscribed by the shareholders of the Group and are non-interest bearing. The accounting standards require such loans to be accounted for at a market rate of interest, therefore the loan is discounted at a market rate of interest. It is this discount to the face value of the loan that is recorded in equity, as it is akin to a capital contribution from the shareholders. It is released to the profit and loss reserve on conversion or settlement at a future date.

30 Retained earnings

Retained earnings represents all other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

On 17 December 2020, £16,900,000 of the amount standing to the credit of the share premium account was cancelled and transferred to retained earnings.

31 Control

The Company is controlled by the directors.

32 Related party transactions

Remuneration of key management personnel

The remuneration of the directors, who are the only key management personnel, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	2018 £'000	2019 £'000	2020 £'000
Short-term employee benefits	585	620	670
Post-employment pension and medical benefits	31	38	46
Total compensation paid to key management personnel	616	658	716
Employers national insurance contributions	73	74	86
Total	689	732	802

In 2020, 5 directors (2019: 5, 2018: 5) have pension benefits which are accruing under defined contribution schemes. The employer national insurance contributions of the key management personnel is £86,366 (2019: £74,420, 2018: £73,073).

In addition, during 2020 the parent company paid £155k (2019: £126k, 2018: £124k) of directors' fees and legal costs to entities with common directors.

Emoluments disclosed above include the following amounts paid to the highest paid director:

	2018 £'000	2019 £'000	2020 £'000
Remuneration for qualifying services	183	194	198
Company pension contributions to defined contribution schemes	4	7	13
	187	201	211

33 Subsequent events

On 19 January 2021, the Company signed an agreement to change their previous asset based lending facility to that of a committed revolving credit facility of £18.5m. The new facility is secured by a floating charge covering all the property, undertaking, assets and rights owned now or in the future of the Group. The facility is interest bearing at a rate of 2.5% per annum plus Sterling Relevant Reference Rate.

PART 4

ADDITIONAL INFORMATION

1. Responsibility

The Company (whose registered office appears on page 10 of this Document) and the Directors, whose names appear on page 10 of this Document, accept responsibility for the information contained in this Document, including individual and collective responsibility for compliance with the AIM Rules for Companies. To the best of the knowledge of the Company and the Directors (who have 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 Scotland as a private limited company under the Act on 3 November 2014 with the name NMWS 3110 Limited and registered number SC490305. The Company's name was changed to The Scotch Malt Whisky (Holdings) Limited on 31 March 2015 and The Artisanal Spirits Company Limited on 16 March 2016. On 10 May 2021 the Company was re-registered as a public limited company and changed its name to The Artisanal Spirits Company plc.
- 2.2 The Company's registered office and principal place of business is at The Vaults, 87 Giles Street, Edinburgh EH6 6BZ. The Company is domiciled in Scotland. The Company's telephone number is +44 (0)131 555 2929.
- 2.3 The principal legislation under which the Company operates, and pursuant to which the Ordinary Shares (including the New Ordinary Shares) have been or will be created (as applicable), is the Act and the subordinate legislation made under it.
- 2.4 The business of the Company and its principal activity is to act as the holding company of the Group.
- 2.5 The Company's website address which discloses the information required by Rule 26 of the AIM Rules for Companies is www.artisanal-spirits.com.
- 2.6 The Company's accounting reference date is 31 December.

3. The Company's subsidiaries

- 3.1 As at the date of this Document, the Company has the following direct subsidiaries:

<i>Name</i>	<i>Country of incorporation</i>	<i>Principal activity</i>	<i>% ownership</i>
ASC Scotland Limited	Scotland	Non-trading	100%
J.G. Thomson & Co. Limited	Scotland	Carrying out the Group's UK operations relating to the J.G. Thomson & Co. brand	100%
The Artisanal Spirits Company Pty Limited	Australia	Carrying out the Group's operations in Australia	100%
The Artisanal Spirits Company (Ireland) Limited	Ireland	Carrying out the Group's operations in the EU	100%
The Scotch Malt Whisky Society Limited	Scotland	Carrying out the Group's operations in the UK	100%

3.2 In addition to the above, SMWS has two subsidiaries:

<i>Name</i>	<i>Country of incorporation</i>	<i>Principal activity</i>	<i>% ownership</i>
The Scotch Malt Whisky Society Limited	Hong Kong PRC	Carrying out the Group's operations in the People's Republic of China	65%
The Scotch Malt Whisky Society Japan Limited	Japan	Carrying out the Group's operations in Japan	70%

3.3 The entities above are majority owned joint venture companies. The joint venture partners are Christina Leung (acting through a personal investment company, Terroir Novo Investment Limited) in relation to the Hong Kong entity and Mark Bedingham in relation to the Japanese entity respectively.

3.4 The Scotch Malt Whisky Society Limited (Hong Kong entity) also has two subsidiaries:

<i>Name</i>	<i>Country of incorporation</i>	<i>Principal activity</i>	<i>% ownership</i>
The Artisanal Spirits Co. Hong Kong Limited	Hong Kong PRC	Carrying out the Group's operations in the People's Republic of China and Hong Kong PRC	100%
The Scotch Malt Whisky (Shanghai) Trading Limited	China WFOE	Carrying out the Group's operations in the People's Republic of China	100%

4. The Company's share capital

4.1 As at 3 November 2014, being the date the Company was incorporated, the issued share capital of the Company, all of which was fully paid up, was as follows:

<i>Class of share</i>	<i>Number</i>	<i>Aggregate nominal value</i>
Ordinary shares of 1 penny each	1	£0.01

4.2 There have been the following changes in the Company's share capital since 3 November 2014:

- on 27 March 2015 the ordinary share of 1 penny was re-designated as a B ordinary share of 1 penny ("**B Shares**") and new articles of association were adopted that provided for the allotment of A ordinary shares of 1 penny ("**A Shares**");
- on 27 March 2015, 574,999 A Shares were allotted at £1.00 per A Share and 2,614,400 B Shares were allotted at £1.00 per B Share;
- on 20 April 2015, 2,385,600 A Shares were allotted at £1.00 per A Share;
- on 5 April 2016, 412,500 A Shares were allotted at £1.20 per A Share;
- on 4 May 2016, 2,891,666 A Shares were allotted at £1.20 per A Share and 62,500 B Shares were allotted at £1.20 per B Share;
- on 6 June 2016, 416,666 B Shares were allotted at £1.20 per B Share;
- on 16 September 2016, 62,000 B Shares were allotted at £1.00 per B Share;
- between 15 December 2017 and 21 December 2017, 1,142,856 B Shares were allotted at £1.59 per B Share;

- on 31 May 2019, 2,603,890 B Shares were allotted at £1.59 per B Share; and
- on 26 November 2020, 350,877 B Shares were allotted at £2.85 per B Share.

- 4.3 On 17 December 2020 £16,900,000 of the amount standing to the credit of the share premium account of the Company was cancelled and credited to distributable reserves.
- 4.4 As at 31 December 2020, being the last date to which audited accounts for the Company have been prepared, and as at the date of this Document, the issued share capital of the Company, all of which was fully paid up, was as follows:

<i>Class of share</i>	<i>Number</i>	<i>Aggregate nominal value</i>
A Shares	8,304,166	£83,041.66
B Shares	5,213,789	£52,137.89
Total	13,517,955	£135,179.55

Pursuant to the terms of the existing Articles, the A Shares and the B Shares rank *pari passu* in all respects and constitute one class of shares for the purposes of those Articles and the Act.

- 4.5 As at the date of this Document there are options over 1,453,400 B Shares remaining under legacy share option agreements entered into by the Company prior to the date of this Document. Immediately prior to Admission it is intended that 535,274 B Shares will be issued in relation to the exercise of some of those legacy options.
- 4.6 In connection with Admission, the Company has undertaken a number of steps to reorganise its share capital (the “**Pre-IPO Reorganisation**”). The Pre-IPO Reorganisation steps are as follows:
- A new set of interim articles of association were adopted by the Company to reflect its re-registration as a public limited company and the Company’s name was changed to The Artisanal Spirits Company plc.
 - Immediately prior to Admission taking place and conditional on Admission, the A Shares and the B Shares will be sub-divided and re-designated as Ordinary Shares on the basis of four Ordinary Shares per A Share or B Share then in issue.
- 4.7 Following the exercise of some of the legacy share options referred to in paragraph 4.5 above and completion of the Pre-IPO Reorganisation, the issued share capital of the Company immediately prior to Admission will be as follows:

<i>Class of share</i>	<i>Number</i>	<i>Aggregate nominal value</i>
Ordinary Shares	56,212,916	£140,532.29

- 4.8 The issued share capital of the Company as it is expected to be immediately following Admission, all of which will be fully paid up on Admission, is as follows:

<i>Class of share</i>	<i>Number</i>	<i>Aggregate nominal value</i>
Ordinary Shares	69,605,774	£174,014.435

- 4.9 Immediately following Admission, the total number of options over Ordinary Shares outstanding will be as follows:

<i>Option scheme</i>	<i>Number of Ordinary Shares under option</i>	<i>Percentage of the Enlarged Share Capital</i>
Legacy Options	3,672,504	5.3%
New Share Option Scheme	1,366,900	2.0%

Further details of the Legacy Options and the New Share Option Scheme are set out in paragraph 10 of this Part 4.

4.10 Application will be made for the Ordinary Shares to be admitted to trading on AIM. The Ordinary Shares are not listed or traded on, and no application has been or is being made for the admission of the Ordinary Shares to listing or trading on any other stock exchange or securities market.

4.11 Pursuant to the Act, with effect from 1 October 2009, the concept of authorised share capital was abolished.

4.12 Pursuant to ordinary resolutions of the Company passed on 27 April 2021, the Directors are generally and unconditionally authorised pursuant to section 551 of the Act to allot shares and grant rights to subscribe for or to convert any security into shares (such shares and rights to subscribe for or to convert any security into shares being “**relevant securities**”), such authority to be limited to the allotment of:

- (a) relevant securities with an aggregate nominal value of £50,000 (being up to 20,000,000 Ordinary Shares) such authority to expire on the day following Admission or, if earlier, at 11.59 p.m. on 31 December 2021, but so that the Company may make offers or agreements before such authority expires which would or might require shares in the Company to be allotted or rights to be granted after such authority expires and so that the Directors may allot shares in the Company or grant rights in pursuance of any such offer or agreement notwithstanding that such authority has expired;
- (b) in addition to the authority referred to at paragraph (a) above, relevant securities with an aggregate nominal value of £9,019.18 (being up to 3,607,672 Ordinary Shares) in satisfaction of the exercise of any options over, or rights to subscribe for, Ordinary Shares where such options or rights were granted, issued or conferred by the Company prior to Admission, such authority to expire on 27 April 2026;
- (c) in addition to the authorities referred to at paragraphs (a) and (b) above and conditional on and with effect from Admission, relevant securities representing:
 - (i) up to one third of the aggregate nominal amount of the issued ordinary share capital of the Company immediately following Admission (such amount to be reduced by the aggregate nominal amount of any allotments of shares and grants of rights made pursuant to the authority in sub-paragraph (ii) below in excess of one third of the aggregate nominal amount of the issued ordinary share capital of the Company immediately following Admission);
 - (ii) up to two thirds of the aggregate nominal amount of the issued ordinary share capital of the Company immediately following Admission (such amount to be reduced by the aggregate nominal amount of any allotments of relevant securities and grants of rights made pursuant to the authority in sub-paragraph (i) above) in connection with an offer by way of a rights issue:
 - (A) to holders of Ordinary Shares of £0.0025 each in the capital of the Company in proportion (as nearly as may be practicable) to their respective holdings on the record date for such allotment; and
 - (B) to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

and the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or the requirements of any regulatory body or stock exchange or any other matter (including any such problems arising by virtue of equity securities being represented by depositary receipts),

such authority to expire at the conclusion of the annual general meeting of the Company to be held in 2022 or, if earlier, at 11.59 p.m. on 30 June 2022 but so that, in each case, the Company may make offers or agreements before the authority expires which would or might require shares in the capital of the Company to be allotted or rights to be granted after the authority expires and

the Directors may allot shares in the capital of the Company or grant rights in pursuance of any such offer or agreement notwithstanding that the authority has expired.

4.13 Pursuant to special resolutions of the Company passed on 27 April 2021, the Directors are empowered pursuant to section 570(1) of the Act to allot equity securities (as defined in section 560(1) of the Act) of the Company for cash pursuant to the authorities of the Directors under section 551 of the Act referred to in paragraph 4.12 above, and/or by way of sales of treasury shares by virtue of section 573 of the Act, as if the pre-emption right provisions of section 561 of the Act did not apply to such allotment provided that these powers are limited to:

- (a) the allotment of equity securities which fall within sub-paragraph (a) of paragraph 4.12 above, such authority to expire on the day following Admission or, if earlier, at 11.59 p.m. on 31 December 2021, but so that the Company may make offers or agreements before such authority expires which would or might require shares in the Company to be allotted or rights to be granted after such authority expires and so that the Directors may allot shares in the Company or grant rights in pursuance of any such offer or agreement notwithstanding that such authority has expired;
- (b) in addition to the authority referred to in paragraph (a) above, the allotment of equity securities which fall within sub-paragraph (b) of paragraph 4.12 above, such authority to expire on 27 April 2026 but so that the Company may make offers or agreements before such power expires which would or might require equity securities to be allotted, or rights to subscribe for or to convert securities into shares to be granted, after such expiry and the Directors may allot equity securities or grant such rights in pursuance of any such offer or agreement notwithstanding that such power has expired;
- (c) in addition to the authorities referred to at paragraphs (a) and (b) above, the allotment of equity securities which fall within sub-paragraph (c) of paragraph 4.12 above:
 - (i) in connection with or pursuant to a rights issue, open offer or other pre-emptive offer in favour of Shareholders on the register of members on a date fixed by the Directors where the equity securities respectively attributable to the interests of all such Shareholders are proportionate (as nearly as may be practicable) to the respective numbers of Ordinary Shares held by them on that date (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatsoever); and
 - (ii) otherwise than pursuant to sub-paragraph (i) above, up to 5 per cent. of the aggregate nominal amount of the issued ordinary share capital of the Company immediately following Admission,

such authority to expire at the conclusion of the annual general meeting of the Company to be held in 2022 or, if earlier, at 11.59 p.m. on 30 June 2022 but so that, in each case, the Company may make offers, and enter into agreements, which would or might require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired; and

- (d) in addition to the authorities referred to at paragraphs (a), (b) and (c) above, the allotment of equity securities which fall within sub-paragraph (c) of paragraph 4.12 above:
 - (i) limited to the allotment of equity securities and the sale of treasury shares for cash up to 5 per cent. of the aggregate nominal amount of the issued ordinary share capital of the Company immediately following Admission; and
 - (ii) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the conferral of this authority,

such authority to expire at the conclusion of the annual general meeting of the Company to be held in 2022 or, if earlier, at 11.59 p.m. on 30 June 2022 but so that, in each case, the Company

may make offers, and enter into agreements, which would or might require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

- 4.14 Pursuant to a special resolution of the Company passed on 27 April 2021, conditional on Admission and subject to the confirmation of the Court of Session in Edinburgh, the Directors were authorised to arrange for the cancellation of the entire amount standing to the credit of the share premium account of the Company as at 5.00 p.m. on the day immediately preceding the day on which the Court of Session makes an order confirming the reduction of capital and the amount so cancelled and reduced should be credited to a distributable reserve of the Company which, subject to any undertaking required by the Court of Session, may be applied in any manner in which the Company's profits available for distribution may be applied (as determined in accordance with the Act and the Companies (Reduction of Share Capital) Order 2008), including by way of dividends and share buy-backs.
- 4.15 The provisions of section 561 of the Act (to the extent not disapplied pursuant to section 570 of the Act) confer on Shareholders certain rights of pre-emption in respect of the allotment of equity securities (as defined in section 560(1) of the Act) which are, or are to be, paid up in cash and apply to the authorised but unissued equity share capital of the Company. These provisions have been disapplied to the extent referred to in paragraph 4.13 above.
- 4.16 Save as set out above in this paragraph 4 and in paragraphs 3 and 10:
- (a) no unissued share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (b) there are no shares in the capital of the Company currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived;
 - (c) the Company does not hold any of its own Ordinary Shares and none of the Company's subsidiaries hold any of the Ordinary Shares;
 - (d) no person has any acquisition rights or obligations over unissued share capital of the Company and there is no undertaking to increase the share capital of the Company;
 - (e) the Company does not have in issue any securities not representing share capital;
 - (f) there are no outstanding convertible securities, exchangeable securities or securities with warrants issued by the Company; and
 - (g) no share capital or loan capital of the Company or any of its subsidiaries (other than intra-group issues by wholly owned subsidiaries) is in issue and no such issue is proposed.
- 4.17 Save as disclosed in this Document, no commission, discounts, brokerages or other specific terms have been granted by the Company in connection with the issue or sale of any of its share or loan capital.
- 4.18 The Ordinary Shares are in registered form and capable of being held in uncertificated form. Application has been made to Euroclear UK & Ireland Limited for the Ordinary Shares to be enabled for dealings through CREST as a participating security. No temporary documents of title will be issued. It is expected that definitive share certificates will be posted to those Shareholders who have requested the issue of Ordinary Shares in certificated form by 18 June 2021. The International Securities Identification Number (ISIN) for the Ordinary Shares is GB00BNXM3P96.

5. Significant Shareholders

- 5.1 Insofar as is known to the Company, the following persons are as at the date of this Document interested in three per cent. or more of the issued share capital or voting rights of the Company:

As at the date of this Document

<i>Shareholder</i>	<i>Number of A Shares</i>	<i>Number of B Shares</i>	<i>Percentage of issued Ordinary Shares</i>
HIL (Nominees) Limited	5,208,411	902,496	45.2%
Inverleith (ASC) Limited	1,253,923	2,738,948	29.5%
Mehdi Shalfrooshan	1,455,333	169,500	12.0%
Birdwing Investments Limited	229,167	591,022	6.1%
Pei Chun Huang	–	416,666	3.1%

- 5.2 HIL holds Ordinary Shares as nominee for the underlying investors in the HotHouse Syndicate. The terms of the HH Declaration of Trust provide that upon Admission the HH Declaration of Trust shall be terminated and the Ordinary Shares will be transferred from HIL to the relevant investors in the HotHouse Syndicate.
- 5.3 Birdwing Investments Limited is a company wholly owned by Mark Bedingham.
- 5.4 Immediately prior to Admission (following completion of the Pre-IPO Reorganisation and prior to the issue of the New Ordinary Shares) the Company expects the following persons to be interested in three per cent. or more of the issued share capital or voting rights of the Company:

Immediately prior to Admission

<i>Shareholder</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued Ordinary Shares</i>
HIL (Nominees) Limited	24,443,628	43.5%
Inverleith (ASC) Limited	15,971,484	28.4%
Mehdi Shalfrooshan	6,499,332	11.6%
Birdwing Investments Limited	3,280,756	5.8%
Pei Chun Huang	1,666,664	3.0%

- 5.5 Immediately following Admission, the Company expects the following persons to be interested in three per cent. or more of the issued share capital or voting rights of the Company:

Immediately following Admission

<i>Shareholder</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued Ordinary Shares</i>
HIL (Nominees) Limited	22,429,276	32.22%
Inverleith (ASC) Limited	12,177,764	17.50%
BGF Investment Management Ltd	6,250,000	8.98%
Mehdi Shalfrooshan	5,752,000	8.26%
Canaccord Genuity Wealth Limited	5,317,414	7.64%
Dowgate Capital Limited	2,938,045	4.22%
Birdwing Investments Limited	2,501,476	3.59%

- 5.6 The share capital of the Company at Admission will consist of one class of Ordinary Shares with equal voting rights. At Admission no major Shareholder of the Company will have any different voting rights from the other Shareholders.

- 5.7 On Admission, Inverleith ASC and the Related Shareholders (being persons connected with Inverleith ASC) will together hold 35.6 per cent. of the issued share capital of the Company. The Company, Inverleith ASC, the Related Shareholders and the Nomad have entered into the Relationship Agreement to regulate aspects of the continuing relationship between the Company on the one hand and Inverleith ASC and the Related Shareholders on the other hand, to ensure that the Company is capable at all times of carrying on its business independently of them and that future transactions between the Company and them are on arm's length terms and on a normal commercial basis. Further details of the Relationship Agreement are set out in paragraph 11.5 of this Part 4.
- 5.8 The interests of Inverleith ASC and the Related Shareholders as at the date of this Document and as they are expected to be immediately following Admission are set out in paragraph 21.2 of this Part 4.
- 5.9 Save as referred to in paragraph 5.1 above, there are not any persons who at the date of this Document directly or indirectly, jointly or severally, exercise or could exercise control over the Company or who will or could do so immediately following Admission.
- 5.10 Save as disclosed in this Document, there are no arrangements known to the Company, the operation of which may at a subsequent date result in a change in control of the Company.

6. Articles of Association

The Articles which will apply at and from Admission, which were adopted by special resolution of the Company passed on 27 April 2021 conditional on and with effect from Admission, contain no specific restriction on the Company's objects and purposes. Set out below is a description of the most significant rights and provisions in those Articles. This does not purport to be a complete or exhaustive list of the rights and provisions in the Articles.

There are no provisions in the Articles which would have the effect of delaying, deferring or preventing a change of control of the Company.

6.1 *Objects of the Company*

The Articles do not provide for any objects of the Company, and accordingly the Company's objects are unrestricted. The Articles also do not state any purposes for which the Company was established and therefore the Company is able to undertake any activities permitted by Scots law.

6.2 *Limited liability*

The liability of the Company's members is limited to any unpaid amount on the Ordinary Shares held by them.

6.3 *Issue of shares and share rights*

Shares may be issued, subject to applicable laws, the Articles and without prejudice to any rights or privileges attached to any existing class of shares, with such rights or restrictions as the Company may from time to time by ordinary resolution determine, or, if the Company has not so determined, as the Directors may determine.

Subject to applicable laws, any share may be issued which is to be redeemed, or is liable to be redeemed at the option of the holder or the Company, on such terms and in such manner as the Company may by special resolution determine. The Company may also issue any share with such preferred, deferred or other special rights or privileges as the Directors may determine and purchase or enter into a contract to purchase any of the Company's own shares of any class.

6.4 *Distributions of assets on a winding-up*

On a winding-up, the liquidator may, with the authority of a special resolution of the Company and any other sanction required by law, divide among the shareholders in kind the whole or any part of the assets of the Company and may value any assets and determine how the division shall be carried out as between the shareholders or different classes of shareholders. The liquidator may, with the like sanction, transfer any part of the assets of the Company to trustees on such trusts for the benefit of

shareholders as he may determine. No shareholder shall be required to accept any asset in respect of which there is a liability.

6.5 *Modifications to share class rights*

If the Company's share capital is divided into shares of different classes, any rights attached to any class of shares may (subject to the rights attached to the shares of the class) be varied or abrogated in any manner, either with the written consent of the holders of not less than three-fourths in nominal value of the shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of such class of shares.

6.6 *Share transfers*

A Shareholder may transfer their certificated shares to another person by a written instrument of transfer in any usual form (or any other form approved by the Board) executed by or on behalf of the Shareholder and, in the case of a share which is not fully paid, by or on behalf of the transferee.

The Directors may refuse to register the transfer of a share which is in respect of a partly paid share, in respect of more than one class of share, in favour of more than four joint transferees, a minor or to an entity which is not a natural or legal person, or if the transfer document is not duly stamped or not delivered for registration with appropriate evidence of the transferor's title to the Company's registered office or its share registrars.

A Shareholder may transfer uncertificated shares without a written instrument if such shares are a participating security held in uncertificated form in accordance with the CREST Regulations. Uncertificated shares must be transferred by means of the relevant system in which the shares are held, subject to the rules of that system and the CREST Regulations. The Board is required to register a transfer of any uncertificated share in accordance with those regulations. The Board may refuse to register any such transfer in circumstances which are allowed or required by the CREST Regulations and the relevant system.

If title to a share passes to a transmittee, the Company may only recognise the transmittee as having title to that share. A transmittee may choose to become the holder of shares or to have them transferred to another person, and, subject to the Articles, has the same rights as the holder had. Transmittees do not have the right to attend or vote at a general meeting in respect of shares to which they are entitled, unless they become the holder of those shares.

6.7 *Fractions*

In the event that any consolidation or sub-division of shares results in any Shareholder being entitled to fractions of shares, the Directors have the right to settle the matter as they see fit.

6.8 *Dividends and other distributions*

There are no fixed dates on which a dividend entitlement arises. The Company may by ordinary resolution from time to time declare dividends to be paid to Shareholders, although the amount of the dividend cannot exceed the amount recommended by the Directors. In addition the Directors may pay interim dividends if justified by the profits of the Company available for distribution. A dividend payment to a Shareholder shall be calculated proportionately to the amounts paid up on each issued share. There are no dividend restrictions attaching to the shares, provided they are fully paid up.

Any dividend which remains unclaimed twelve years after the date the dividend becomes due for payment shall, at the option of the Directors, be forfeited and shall cease to remain owing by the Company.

6.9 *Calls on shares and lien and forfeiture of shares*

Subject to the terms on which shares are allotted, the Company may issue a call notice to Shareholders requiring payment of unpaid monies on their shares. The Company may call on Shareholders to pay different amounts at different times. Shareholders must pay the Company the amount called, provided they are given 14 clear days' notice.

If a Shareholder fails to pay money due under a call by the call payment date the Directors may send that Shareholder a notice of intended forfeiture and that member will be liable to pay interest on the call until it is paid. Such notice will state how payment is to be made and that non-compliance with the notice will render the shares in respect of which the call is payable liable to be forfeited.

The Company has a lien over every partly paid share in respect of the unpaid amount, whether a call notice has been sent or not. The lien takes priority over third party interests and extends to money payable in respect of such share, including dividends. A lien enforcement notice may be issued in relation to a share in respect of which a sum is payable if the date for payment of that sum has passed. The Company may sell shares in respect of which a lien enforcement notice is not complied with.

6.10 *Appointment of directors*

The number of Directors shall not be less than two nor more than twelve in number, unless otherwise determined by ordinary resolution. Directors may be appointed by ordinary resolution or Board resolution.

6.11 *Retirement by rotation and removal of directors*

At the annual general meeting of the Company to be held in 2022, every Director shall retire from office. Thereafter at each annual general meeting of the Company, one third of the Directors shall retire from office.

At every annual general meeting, any Director appointed by the other Directors since the last annual general meeting may stand for reappointment by the Shareholders.

The Company may remove any director from office by ordinary resolution before the expiration of their period of office and may (subject to the Articles) by ordinary resolution appoint another person who is willing to act to be a Director in their place.

6.12 *Directors' benefits*

Other than for executive Directors appointed in accordance with the Articles, the maximum aggregate amount of fees that the Company may pay to Directors for their services is £700,000 per annum, or such larger amount as the Company may by ordinary resolution approve. These fees are to be divided among the Directors as the Board decides.

An executive Director may receive from the Company a salary or other remuneration in addition to or instead of such fees.

The Directors are entitled to be paid all travelling, hotel and other expenses properly incurred by them in connection with the discharge of their duties as Directors.

The Board may provide pensions, other retirement or superannuation benefits, death or disability benefits or other allowances or gratuities for persons who are or were Directors of the Company and their spouses and dependants.

6.13 *Powers of the Board*

Subject to the Articles, the Directors are responsible for the management of the Company's business, for which purpose they may exercise all the powers of the Company. The Directors may delegate such powers to any person or committee as they think fit and those powers may be sub-delegated with the authority of the Directors. The Directors may revoke any delegation of powers.

6.14 *Meetings of directors*

The quorum for Directors' meetings may be fixed from time to time by the Directors, but it must never be less than two and, unless otherwise fixed, it is two.

If there is an equality of votes then, provided that the Chairman is entitled to vote on such resolution, the Chairman will have a second or casting vote.

6.15 *Directors' conflicts or potential conflicts*

Any Director interested in a transaction with the Company will not be counted as participating in any board meetings in respect of such transactions for quorum or voting purposes, unless: (i) the board of Directors authorise the conflict; (ii) the Director's interest cannot reasonably be regarded as likely to give rise to a conflict; or (iii) the Director's conflict arises from a cause permitted by the Articles.

Causes which are permitted by the Articles are: (i) any security, guarantee or indemnity by or to a Director in respect of an obligation incurred by or on behalf of the Company or any of its subsidiaries; (ii) a subscription, or agreement to subscribe for (or underwrite or guarantee), securities of the Company or any of its subsidiaries; (iii) arrangements made available to employees and directors of the Company or its subsidiaries which do not provide the Directors with special benefits and (iv) a contract relating to insurance for the benefit of the Directors.

Questions relating to a Director's right to participate in a board meeting may be referred to the Chairman for final and conclusive determination. Questions relating to the Chairman's right to participate in a board meeting will be determined by a decision of the Directors present at that meeting, for which purpose the Chairman may not participate.

Subject to the provisions of the Act, a Director is not required (provided he has disclosed his interest in the matter) to account to the Company for any benefit which he derives from or in connection with: (i) any transaction or arrangement with the Company or in which the Company is otherwise interested; (ii) acting by himself or his firm in a professional capacity for the Company, otherwise than as auditor, and being entitled to such remuneration as the Board may arrange; or (iii) being a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested.

6.16 *Indemnification of Directors*

A director of the Company or an associated company may be indemnified out of the Company's assets against any liability incurred by that director in connection with the Company's or an associated company's capacity as a trustee of an occupational pension scheme.

6.17 *Borrowing powers*

The Board may exercise all of the Company's powers to borrow money and to mortgage or charge the Company's undertaking, property and uncalled capital of the Company, or any part thereof and (subject to applicable laws) to create and issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of a third party.

6.18 *Meetings of Shareholders*

The Company is required to give notice of all general meetings to all Shareholders, Directors and auditors in accordance with the minimum notice periods contained in the Act. Every notice calling a general meeting shall specify the time and place and/or electronic platform of the meeting and the Shareholders' right to be represented by a proxy. Every notice of a general meeting must specify the general nature of any business to be transacted at the meeting and if the general meeting is an annual general meeting specify the meeting as such and any procedures on attendance and voting at the meeting.

The quorum for a general meeting is two, unless otherwise fixed, and must never be less than two.

An annual general meeting shall be held once a year.

6.19 *Shareholder voting*

Every Shareholder is able to exercise their right to vote at a general meeting. On a show of hands each holder of Ordinary Shares will have one vote and on a poll each holder of Ordinary Shares will have one vote per Ordinary Share held. No objection to the validity of a vote may be raised outside of the meeting, and every vote that is not disallowed during the meeting is valid. All resolutions put to a physical meeting of the members must be decided on a show of hands unless a poll is demanded in accordance with the Articles. A poll may be demanded by the chairman, the Directors, five or more

persons having the right to vote on the resolution, or a person representing at least one tenth of the total voting rights. All resolutions put to an electronic meeting of the members or a hybrid meeting must be decided by way of a poll. No member may vote on any share, unless all amounts payable to the Company in respect of that share have been paid.

7. Directors and employees

- 7.1 The names of the Directors and each of their respective functions are set out in paragraph 8 of Part 1 of this Document.
- 7.2 The business address of the Directors is The Vaults, 87 Giles Street, Edinburgh EH6 6BZ.
- 7.3 Details of the role and the date of appointment of each of the Directors are set out below:

<i>Name</i>	<i>Role</i>	<i>Date of appointment</i>
Mark Hunter	Non-Executive Chair	24 March 2021
Paul Skipworth	Non-Executive Deputy Chair	30 March 2015
David Ridley	Executive Managing Director	6 April 2017
Andrew Dane	Executive Finance Director	17 September 2020
Mark Bedingham	Non-Executive Director	1 September 2015
Gavin Hewitt	Non-Executive Director	27 March 2015
Lesley Jackson	Non-Executive Director	2 June 2021
Helen Page	Non-Executive Director	2 June 2021

- 7.4 Details of any directorship that is or was in the last five years held by each of the Directors, and any partnership of which a Director is or was in the last five years a member in addition to their directorships of the Company and its subsidiary undertakings are set out below:

<i>Name</i>	<i>Current directorships and partnerships</i>	<i>Previous directorships and partnerships</i>
Mark Hunter	Mark Hunter Consulting Limited Treehouse Foods Inc.	Future Fuels No. 1 LLP Molson Coors Beverage Company Molson Coors Canada, Inc. Redux Laboratories LLP
Paul Skipworth	Braham & Murray Limited HIL BM Limited HIL CD Limited HIL (Nominees) Limited Hothouse Brands Limited Inverleith (ASC) Limited Inverleith (B&M) Limited Inverleith General Partner LLP Inverleith GP Limited Inverleith LLP Inverleith (MT) Limited Inverleith (MZ) Limited Inverleith (PO) Limited Montane Ltd Montezuma's Limited Montezuma's Chocolates Limited Montezuma's Direct Limited Revenge Holdings Limited	Atlantis Healthcare Group Ltd EFC Realisations Limited (Dissolved) HIL EFC Limited HIL SMWH Limited INSEAD Alumni Association UK Ltd
David Ridley	–	Moët Hennessy Vietnam Distribution Shareholding Company

<i>Name</i>	<i>Current directorships and partnerships</i>	<i>Previous directorships and partnerships</i>
Andrew Dane	–	Argent Energy Limited Argent Energy Group Limited Argent Energy Properties Limited Argent Energy (UK) Limited Argent Oil Terminal Limited Argent Oils (UK) Limited Netbeg Limited (Dissolved)
Mark Bedingham	Asami Investments Ltd. Aspirational Consumer Lifestyle Corp. Aspirational Consumer Lifestyle Corp. II Asami Properties Ltd. Birdwing Investments Limited DKSHSMI Pte. Ltd. Iconic Locations Japan KK Iconic Locations Limited Iconic Locations Sdn. Bhd. Kinnaya Pte. Ltd. Senkosmi Myanmar Company Limited Singapore Myanmar Investco Limited Singapore Myanmar Investco (Myanmar Branch) SMI Auto Services Pte. Ltd. SMI Construction Services Pte. Ltd. SMI F&B MM Pte. Ltd. SMI F&B Pte. Ltd. SMI Food Concepts Limited SMI Rental Services MM Limited SMI Retail Pte. Ltd. SMI-Senko Logistics Pte. Ltd. SMIRS Myanmar Limited Straits Biopharma Pte. Ltd.	Crystal Jade Culinary Concepts Holding Pte. Ltd. Crystal Jade Culinary Group Holdings Crystal Jade Group Holdings PTE Limited Myanmar Infrastructure Group Pte. Ltd. SMIFB Limited (Dissolved) SMIMM Mobile Company Limited (Dissolved) SMI Infrastructure Services Pte. Ltd. (Dissolved) SMI Mobile Pte. Ltd. (Dissolved) TPR Myanmar Limited
Gavin Hewitt	Findr Limited	Bladnoch Distillery Limited
Lesley Jackson	Aberforth Split Level Income Trust plc Devro plc	Stock BH doo Stock doo Stock Finance (Euro) Limited (Dissolved) Stock Finance (Koruna) Limited Stock Finance (Zloty) Limited Stock Polska Sp Zoo Stock Spirits Group PLC Stock Spirits UK Limited Trackwise Designs PLC Water Plus Group Limited Water Plus Limited Water Plus Select Limited
Helen Page	Virgin Money Giving Limited	–

7.5 Save as disclosed in paragraphs 7.6 and 7.7 below, at the date of this Document none of the Directors named in this Document:

- (a) has any unspent convictions in relation to indictable offences;
- (b) has been declared bankrupt or has entered into an individual voluntary arrangement;

- (c) was a director of any company at the time of or within the 12 months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors with which such company was concerned;
- (d) was a partner in a partnership at the time of or within the 12 months preceding a compulsory liquidation, administration or partnership voluntary arrangement of such partnership;
- (e) has had his or her assets the subject of any receivership or was a partner in a partnership at the time of or within the 12 months preceding any assets thereof being the subject of a receivership; or
- (f) has been the subject of any public criticisms by any statutory or regulatory authority (including any recognised professional body) nor has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

7.6 Andrew Dane was Finance Director of Argent Energy (UK) Limited when the company was investigated by the Health and Safety Executive in relation to an employee accident. The company received a fine of £270,000 in relation to the incident.

7.7 Paul Skipworth was a director of EFC Realisations Limited (formerly Emily Fruit Crisps Limited), which went into administration on 25 March 2019 and was dissolved on 10 February 2021.

7.8 Details of the average number of the Group's employees for each of the three financial years ended 31 December 2020 are as follows:

<i>Financial year</i>	<i>Average number of employees</i>
FY18	77
FY19	86
FY20	82

7.9 As at 31 December 2020, the employees of the Group were employed as follows:

<i>Category</i>	<i>Number</i>
Management	26
Venue staff	34
Other support staff	23
Total	<u>83</u>

7.10 The Group operates an auto-enrolment pension scheme on behalf of its UK based employees (including executive Directors) which is administered by The People's Pension.

8. Directors' interests

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

Name	As at the date of this Document		Percentage of issued Ordinary Shares	Immediately prior to Admission		Percentage of issued Ordinary Shares	Immediately following Admission	
	Number of A Shares	Number of B Shares		Number of Ordinary Shares	Percentage of issued Ordinary Shares		Number of Ordinary Shares	Percentage of issued Ordinary Shares
Mark Hunter	–	12,667	0.1%	50,668	0.1%		943,525	1.4%
Paul Skipworth*	141,666	33,753	1.3%	1,175,676	2.1%		803,884	1.2%
David Ridley	–	10,527	0.1%	515,108	0.9%		160,356	0.2%
Andrew Dane	–	10,527	0.1%	42,108	0.1%		43,447	0.1%
Mark Bedingham**	229,167	591,022	6.1%	3,280,756	5.8%		2,501,476	3.6%
Gavin Hewitt	–	10,309	0.1%	41,236	0.1%		41,236	0.1%
Lesley Jackson	–	–	–	–	–		35,714	0.1%
Helen Page	–	–	–	–	–		–	–

* Paul Skipworth's holdings of A Shares and B Shares (and those of his immediate family and persons connected with him) are held indirectly via HIL (Nominees) Limited

** Mark Bedingham's holdings of A Shares and B Shares are held through Birdwing Investments Limited

- 8.2 Details of the total number of options over shares granted to the Directors under legacy share option agreements entered into by the Company prior to the date of this Document and outstanding as at Admission are set out in paragraph 10 of this Part 4.
- 8.3 Save as disclosed in this Document, no Director is or has been interested in any transactions which are or were unusual in their nature or conditions or significant to the business of the Company or the Group during the current or immediately preceding financial year or which were effected during any earlier financial year and remain in any respect outstanding or unperformed.
- 8.4 As at Admission, there will be no outstanding loans or guarantees provided by the Company or the Group to or for the benefit of any of the Directors.
- 8.5 There are no actual or potential conflicts of interest between any Director's duties to the Company and any private interests and/or other duties he may have.
- 8.6 No Director nor any member of his or her immediate family nor any person connected with him or her (within the meaning of section 252 of the Act) has a Related Financial Product (as defined in the AIM Rules for Companies) referenced to Ordinary Shares.

9. Directors' remuneration and service agreements

- 9.1 In the financial year ended 31 December 2020 (being the last completed financial year of the Group) the aggregate remuneration paid, including pension contributions and benefits in kind granted, to the Directors was £716,000. This figure includes fees paid to Inverleith LLP in respect of Paul Skipworth's services as a director of the Company.
- 9.2 On the basis of the arrangements in force at the date of this Document it is estimated that the aggregate remuneration payable, including pension contributions and benefits in kind granted, to the Directors for the year ending 31 December 2021 (being the current financial year of the Group) will be £630,000.
- 9.3 Save as disclosed in this Document, there are no service agreements or agreements for the provision of services existing or proposed and to be in force at Admission between the Directors and the Company or the Group.

9.4 **Executive Directors' service agreements**

David Ridley

Subject to and conditional upon Admission occurring, a service agreement between the Company and David Ridley which was signed on 25 May 2021, will become effective. This service agreement will supersede and replace David Ridley's previous terms of employment from the date of Admission. Pursuant to the terms of the service agreement David Ridley will continue in his role as the Company's executive Managing Director. Under the terms of the service agreement David will be paid a gross annual salary of £155,540 per annum. David is eligible to be considered for an annual discretionary bonus of up to 30 per cent. of his basic annual salary, determined by the remuneration committee.

The employment of David will continue until terminated by either party giving the other not less than six months' written notice. The Company may also terminate David's employment without notice in certain circumstances. The service agreement includes garden leave provisions which can be utilised in the event that the service agreement is terminated by the Company. No benefits are payable upon termination of employment other than accrued entitlements.

The agreement contains confidentially, non-competition and non-solicitation provisions effective for a period of 12 months following the termination of David's employment.

Andrew Dane

Subject to and conditional upon Admission occurring, a service agreement between the Company and Andrew Dane which was signed on 25 May 2021, will become effective. This service agreement will supersede and replace Andrew Dane's previous terms of employment from the date of Admission. Pursuant to the terms of the service agreement Andrew will continue in his role as the Company's executive Finance Director. Under the terms of the service agreement Andrew will be paid a gross annual salary of £122,400 per annum. Andrew is eligible to be considered for an annual discretionary bonus of up to 30 per cent. of his basic annual salary, determined by the remuneration committee.

The employment of Andrew will continue until terminated by either party giving the other not less than six months' written notice. The Company may also terminate Andrew's employment without notice in certain circumstances. The service agreement includes garden leave provisions which can be utilised in the event that the service agreement is terminated by the Company. No benefits are payable upon termination of employment other than accrued entitlements.

The agreement contains confidentially, non-competition and non-solicitation provisions effective for a period of 12 months following the termination of Andrew's employment.

9.5 **Non-executive Directors' letters of appointment**

Mark Hunter, Paul Skipworth, Gavin Hewitt, Helen Page, Lesley Jackson and Mark Bedingham have each entered into a letter of appointment with the Company, under the terms of which they have each agreed to act as a non-executive Director of the Company. The appointments are for an initial three year term and will continue until terminated. The appointments can be terminated, without notice, by the Company in certain circumstances and by either party giving the other not less than three months' written notice. The appointments of the non-executive Directors are subject to the relevant provisions in the Articles including a requirement for all Directors to retire from office and offer themselves for re-election at the Company's first annual general meeting to be held in 2022. The letters of appointment will replace and supersede the terms of any previous letter of appointment entered into between the non-executive Director and the Company and a consultancy agreement entered into between the Company and Gavin Hewitt under which Mr Hewitt received a consultancy fee of £10,000 per annum.

The individual terms of the letters of appointment are set out below.

Mark Hunter

Under the terms of a letter of appointment dated 11 November 2020, Mark Hunter has agreed to act as a non-executive Director and Chairman of the Board. Mark's formal appointment as a Director took effect on 24 March 2021. From 1 March 2021, Mark will receive a fee of £75,000 per annum, which covers all duties including his role as Chairman of the Board, service on any committee of the Board and any board of a subsidiary of the Company.

Paul Skipworth

Under the terms of a letter of appointment dated 1 April 2021, Paul Skipworth has agreed to act as a non-executive Director. With effect from Admission, Paul will receive a fee of £42,500 per annum, which covers all duties including his service on any committee of the Board and any board of a subsidiary of the Company.

Mark Bedingham

Under the terms of a letter of appointment dated 12 April 2021, Mark Bedingham has agreed to act as a non-executive Director. With effect from Admission, Mark will receive a fee of £30,000 per annum, which covers all duties including his service on any committee of the Board and any board of a subsidiary of the Company.

Gavin Hewitt

Under the terms of a letter of appointment dated 12 April 2021, Gavin Hewitt has agreed to act as a non-executive Director. With effect from Admission, Gavin will receive a fee of £30,000 per annum, which covers all duties including his service on any committee of the Board and any board of a subsidiary of the Company.

Lesley Jackson

Under the terms of a letter of appointment dated 26 January 2021, Lesley Jackson has agreed to act as a non-executive Director. Lesley will be chair of the Audit Committee. With effect from 1 March 2021, Lesley will receive a fee of £42,500 per annum, which covers all duties including her service on any committee of the Board and any board of a subsidiary of the Company.

Helen Page

Under the terms of a letter of appointment dated 26 January 2021, Helen Page has agreed to act as a non-executive Director. Helen will be chair of the Remuneration Committee. With effect from 1 March 2021, Helen will receive a fee of £42,500 per annum, which covers all duties including her service on any committee of the Board and any board of a subsidiary of the Company.

10. Share options

10.1 Details of the total number of options over shares granted to the Directors, employees of the Group and other parties under the Company's share option schemes and which will be outstanding as at Admission are as follows:

Legacy Options

<i>Name</i>	<i>Date of grant</i>	<i>Exercise price per Ordinary Share (£)</i>	<i>Number of Ordinary Shares under option</i>
David Ridley	27 February 2017	0.30	527,000
	22 March 2018	0.3975	256,000
	12 June 2019	0.3975	400,000
	3 September 2020	0.3975	236,000
Andrew Dane	24 February 2021	0.0025	212,700
Kai Ivalo	26 March 2015	0.25	213,000
	17 June 2016	0.30	120,000
	22 March 2018	0.3975	56,000
	12 June 2019	0.3975	40,000
William Bremner	26 March 2015	0.25	3,000
	17 June 2016	0.30	88,000
	22 March 2018	0.3975	80,000
	12 June 2019	0.3975	40,000
Jan Damen	17 June 2016	0.30	61,640
	12 June 2019	0.3975	36,720
Euan Campbell	22 March 2018	0.3975	48,000
	12 June 2019	0.3975	55,080
Helen Stewart	17 June 2016	0.30	60,000
	12 June 2019	0.3975	24,480
Christopher Richardson	22 March 2018	0.3975	44,700
	12 June 2019	0.3975	61,200
Carol Pryde	22 March 2018	0.3975	31,348
	12 June 2019	0.3975	30,600
Gavin Nicholson	12 June 2019	0.3975	36,720
Gregor Forbes	12 June 2019	0.3975	22,948
Laura Roberts	12 June 2019	0.3975	36,720
Michelle Butler	12 June 2019	0.3975	18,360
Paul Kerr	12 June 2019	0.3975	22,948
Richard Goslan	12 June 2019	0.3975	32,000
Paul Skipworth	27 March 2016	0.30	326,000
	16 April 2018	0.3975	148,000
Christina Leung	12 June 2019	0.3975	40,000
Arnaud Brachet	30 November 2020	0.3975	263,340

New Share Option Scheme

<i>Name</i>	<i>Date of grant</i>	<i>Exercise price per Ordinary Share (£)</i>	<i>Number of Ordinary Shares under option</i>
David Ridley	04 June 2021	0.0025	200,000
Andrew Dane	04 June 2021	0.0025	638,100
Kai Ivalo	04 June 2021	0.0025	80,000
Euan Campbell	04 June 2021	0.0025	20,000
Rebecca Hamilton	04 June 2021	0.0025	388,800
Jan Damen	04 June 2021	0.0025	40,000

All options must be exercised within 10 years of being granted.

10.2 **Terms of the Legacy Options**

10.2.1 *Overview*

Since March 2015 the Company has entered into a number of bilateral option agreements to grant certain Directors, employees of the Group and other parties an option to acquire shares in the Company. The majority of the options granted under these agreements are intended to benefit from statutory tax advantages available for EMI options, but some are not EMI options. As set out in paragraph 10.1 above, the Legacy Options will remain outstanding following Admission.

The principal features of the Legacy Options are outlined below.

10.2.2 *Administration*

The Legacy Options are administered in accordance with the rules set out in the relevant option agreement.

10.2.3 *Exercise price*

The exercise prices of the Legacy Options were determined by the Board prior to them being granted.

10.2.4 *Exercise and lapse of options*

All of the Legacy Options were granted on the basis that one third of the options would vest on the grant date, a further one third would vest on the first anniversary of the grant date and the final one third would vest on the second anniversary of the grant date. No further options will vest if the Director's or employee's employment is terminated or notice of the intention to terminate their employment is given by either party.

The Legacy Options may not be exercised within five years of the date on which they were granted. The last date for exercise of a Legacy Option will be the day before the tenth anniversary of its grant. The holders of the Legacy Options have agreed with the Company that they will not exercise any of the Legacy Options within 12 months of Admission unless the Company agrees otherwise.

Each option is personal to the option holder and any transfer of, or the creation of any charge, pledge or other encumbrance over, the option will cause it to lapse (other than in respect of a transfer to an option holder's personal representative on or following their death).

10.2.5 *Termination of employment*

If an option holder gives or receives notice of termination of employment (whether or not lawful), they may not exercise their options at any time while the notice remains effective.

In the case of death, the Board may permit an option holder's personal representatives to exercise his/her options within 12 months of the date of death to the extent the exercise conditions have been satisfied.

If an option holder ceases to be an employee because of any of the following reasons: injury; ill health; disability; retirement; or redundancy, they may exercise such proportion of the option as the Board may specify during the period of 90 days following their employment ceasing.

If an option holder ceases to be a Group employee by reason other than death or those listed above, the Board may permit the option holder to exercise all or part of their option. If the Board does not make such a decision within 90 days of the termination of their employment the option holder's option will lapse.

10.2.6 *Corporate transactions*

In the event of a change of control, the option holder may exercise such proportion of their option as the Board may determine. If a change of control occurs the option holder may

exercise their options to the extent as the Board may determine within 90 days of the change of control occurring.

10.2.7 *Rights attaching to Ordinary Shares*

Ordinary Shares issued on the exercise of an option will rank *pari passu* with the Ordinary Shares then in issue (except in respect of entitlements arising prior to the date of the allotment).

10.2.8 *Variation of share capital*

In the event of any variation of share capital by way of capitalisation, rights issue, consolidation, sub-division or reduction of share capital or other variation, affecting the value of the options to option holders, the number and description of Ordinary Shares comprised in subsisting options and the exercise price may be adjusted by the Board in such manner that the Board deems to be fair and appropriate in their reasonable opinion.

10.2.9 *Tax*

Where a tax liability arises on the exercise of an option, the Company may require the option holder to make payment to the Company to meet such liability, or to enter into other arrangements in respect of the satisfaction of such liability. If such payments or arrangements are insufficient (or are not made) the Company may sell as many of the option holder's Ordinary Shares as are necessary to cover the liability.

10.3 **Terms of the New Share Option Scheme**

10.3.1 *Overview*

On 7 May 2021, the Board adopted the New Share Option Scheme to incentivise certain of the Group's employees and executive Directors. Options granted under the New Share Option Scheme will be subject to performance conditions as discussed below.

10.3.2 *Administration*

The New Share Option Scheme will be administered in accordance with its rules. The Board has constituted the remuneration committee to approve future option grants and to determine applicable performance conditions.

10.3.3 *Participation and grant of options*

The remuneration committee may grant options to any employee or executive director of the Group.

Options may be granted within 42 days beginning on Admission or the date immediately following the end of a closed period or any other day on which the Board or the remuneration committee has resolved that exceptional circumstances exist which justify the grant of options.

No consideration will be payable for the grant of options.

10.3.4 *Exercise price*

The remuneration committee determines the exercise price of options before they are granted, which shall be the nominal value of an Ordinary Share at the date of exercise of the option if Ordinary Shares are to be newly issued to satisfy the exercise or otherwise nil.

10.3.5 *Exercise and lapse of conditions*

Options granted under the New Share Option Scheme can only be exercised on satisfaction of the performance conditions covering a minimum period of three years determined by the remuneration committee at grant. The initial awards of options to be made at and conditional upon Admission will vest a minimum of three years from award:

- (a) 33.3 per cent. to the extent performance conditions set in relation to an absolute share price growth measure are satisfied;

- (b) 33.3 per cent. to the extent performance conditions set in relation to a revenue growth measure are satisfied; and
- (c) 33.3 per cent. to the extent performance conditions set in relation to an EBITDA target are satisfied.

The remuneration committee may amend or substitute a performance condition if one or more events occur which cause the remuneration committee to consider that a substituted or amended performance condition would be more appropriate and be meaningful and demanding in the light of these events.

The last date for exercise of an option will be the day before the tenth anniversary of its grant.

Each option is personal to the option holder and any transfer of, or the creation of any charge, pledge or other encumbrance over, the option will cause it to lapse (other than in respect of a transfer to an option holder's personal representative on or following their death).

10.3.6 *Termination of employment*

If an option holder ceases to hold office or employment with a member of the Group prior to the vesting date, his/her unvested options will, subject to limited exceptions, lapse at that time.

In the case of death, the Board may permit an option holder's personal representatives to exercise his/her options within 12 months of the date of death to the extent the performance conditions have been satisfied.

If an option holder ceases to be an employee because of any of the following reasons: ill health; injury or disability; redundancy; or the option holder's employing company ceases to be a member of the Group, unless the Board determines that the options will become exercisable immediately the options will continue and will become exercisable on the original exercise date.

If an option holder ceases to be a Group employee by reason other than death or those listed above, the Board may permit the option holder to exercise all or part of their options within six months of the termination of their employment.

Awards granted under the New Share Option Scheme will be subject to malus and clawback provisions.

10.3.7 *Takeovers and corporate actions*

In the event of a takeover, scheme of arrangement, change of control or voluntary winding up of the Company, options may be exercised to the extent the Board determines that performance conditions have been met or determines otherwise.

If the options are not exercised within an appropriate period, they will lapse.

10.3.8 *Rights attaching to Ordinary Shares*

Ordinary Shares issued on the exercise of an option will rank *pari passu* with the Ordinary Shares then in issue (except in respect of entitlements arising prior to the date of the allotment).

10.3.9 *Share option plan limits*

The number of Ordinary Shares that may be issued or are issuable pursuant to the exercise of options under the New Share Option Scheme and any other options granted, or awards made, under any other employee share plan operated by the Company may not exceed 10 per cent. of the Company's issued ordinary share capital from time to time, but excluding for this purpose the exercise of the Legacy Options.

Ordinary Shares transferred from treasury to satisfy options will count as newly issued shares for these purposes.

Options which were granted or have lapsed or been surrendered or which were capable of exercise prior to Admission will not count towards these dilution limits.

10.3.10 *Variation of share capital*

In the event of any variation of share capital or a demerger, delisting, special dividend or other event which may, in the opinion of the remuneration committee, materially affect the current or future value of Ordinary Shares, the number and description of Ordinary Shares comprised in subsisting options and the exercise price may be adjusted by the Board in such manner that the Board determines, and the Board may also adjust any performance condition attaching to an award.

10.3.11 *Tax*

Where a tax liability arises on the exercise of an option, the Company may require the option holder to make payment to the Company to meet such liability, or to enter into other arrangements in respect of the satisfaction of such liability. If such payments or arrangements are insufficient (or are not made) the Company may sell as many of the option holder's Ordinary Shares as are necessary to cover the liability. The option holder may be required to bear the cost of employee's UK National Insurance contributions (or similar liability for social security contributions in any jurisdiction) to the extent applicable.

10.3.12 *Termination*

No options may be granted under the New Share Option Scheme after the tenth anniversary of Admission.

11. Material contracts

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

11.1 *Placing Agreement*

In connection with the Placing, the Company, the Directors, the Selling Shareholders, N+1 Singer and the Nomad have entered into a placing agreement pursuant to which, conditional, among other things, upon the fulfilment by the Company of its obligations under the Placing Agreement; an AIM application in respect of the Enlarged Share Capital signed on behalf of the Company and all other documents submitted therewith having been delivered to the London Stock Exchange before publication of the Admission Document; the Company having allotted the Placing Shares conditional only on Admission; N+1 Singer not having exercised its right to terminate the Placing Agreement; and Admission occurring not later than 8.00 a.m. on 4 June 2021 or such later date as the Company and N+1 Singer may agree, but in any event not later than 8.00 a.m. on 30 June 2021, N+1 Singer has agreed to use its reasonable endeavours to procure placees for the Placing Shares at the Offer Price. The Company has agreed to pay N+1 Singer, whether or not the Placing Agreement becomes unconditional, a corporate finance fee and, provided the Placing Agreement becomes unconditional, a commission payment in respect of the gross aggregate value at the Offer Price of the Placing Shares. The Company has agreed to pay all of the costs and expenses of and incidental to the Placing, together with any applicable VAT. The Company, the Directors and the Selling Shareholders have given certain warranties to N+1 Singer and the Nomad as to the accuracy of the information in this Document and as to other matters relating to the Group and Admission. The liability of the Directors and the Selling Shareholders under these warranties is limited in time and amount, save in certain circumstances. The Company has given an indemnity to N+1 Singer and the Nomad against any losses or liabilities arising out of (amongst other things) the Placing Agreement, the Placing and/or Admission and/or the proper performance by N+1 Singer and the Nomad of their duties under the Placing Agreement. N+1 Singer may terminate the Placing Agreement before Admission in certain circumstances, including for breach of the warranties referred to above.

The Placing Agreement is governed by English law.

11.2 *Nominated Adviser and Broker Agreement*

The Company and the Nomad have entered into a nominated adviser and broker agreement, dated 14 February 2020, pursuant to which and conditional upon Admission, the Company has appointed the Nomad to act as its nominated adviser and broker for the purposes of the AIM Rules for Companies. The Company has agreed to pay the Nomad an annual advisory fee for its services as nominated adviser and broker under the terms of the Nominated Adviser and Broker Agreement. This fee will accrue on a daily basis from Admission and is payable quarterly in advance.

The Nominated Adviser and Broker Agreement contains certain undertakings from the Company in respect of, amongst other things, compliance with all laws and applicable regulations. The Nominated Adviser and Broker Agreement continues for a minimum period of 12 months from Admission and is subject to termination by either the Company or the Nomad on not less than three months' prior written notice.

11.3 *PrimaryBid Engagement Letter*

Pursuant to the PrimaryBid Engagement Letter dated 20 April 2021, the Company (for itself and on behalf of the Selling Shareholders) has engaged PrimaryBid as the arranger of the Member's Offer and PrimaryBid Offer. The PrimaryBid Engagement Letter contains certain customary representations and warranties by PrimaryBid in favour of the Company relating to the conduct of the PrimaryBid Offer and Member's Offer and certain customary representations and warranties by the Company in favour of PrimaryBid relating to the Ordinary Shares. Conditional on Admission, the Company has agreed to pay PrimaryBid a commission based on the aggregate value of the Ordinary Shares subscribed at the Offer Price pursuant to the PrimaryBid Offer and Member's Offer subject to a specified minimum broker fee (plus any applicable VAT). The Company has also agreed (as agent for the Selling Shareholders) to pay to PrimaryBid a commission on the Selling Shareholders' proceeds from the Member's Offer and PrimaryBid Offer, as applicable.

The PrimaryBid Engagement Letter is governed by English law.

11.4 *Lock-up and Orderly Market Agreements*

Lock-up and Orderly Market Agreements were entered into between each of the Lock-up Shareholders, the Company, N+1 Singer and the Nomad, on 28 May 2021. Pursuant to the terms of the Lock-up and Orderly Market Agreements, the Lock-up Shareholders have agreed not to dispose of any interest in Ordinary Shares for the period of 12 months following Admission, except in certain limited customary circumstances (including the acceptance of a general offer for the Company, transfers pursuant to a court order or to a nominee or connected person or made with the prior written consent of the Nomad), and for a further period of 12 months following the expiry of the initial 12 month period, only to dispose of an interest in Ordinary Shares once written notification of the proposed disposal has been given to the Nomad (or the Nomad's successor in the role of nominated adviser) and provided such disposal is effected through N+1 Singer (or another party nominated by the Nomad's successor in the role of nominated adviser) and in such manner as they may reasonably require with a view to the maintenance of an orderly market in the Ordinary Shares.

The Lock-up and Orderly Market Agreements are governed by English law.

11.5 *Relationship Agreement*

As at Admission, Inverleith ASC and the Related Shareholders are expected to hold 35.6 per cent. of the Enlarged Share Capital of the Company. Inverleith ASC, the Related Shareholders, the Company and the Nomad have entered into a relationship agreement dated 28 May 2021 under which Inverleith ASC and the Related Shareholders have agreed, conditional upon Admission, to regulate their ongoing relationship with the Company, to ensure that the Group is capable of carrying on its business independently of Inverleith ASC, the Related Shareholders and their associates.

The Relationship Agreement applies for as long as Inverleith ASC and the Related Shareholders or any of their respective associates individually or collectively are interested in at least 20 per cent. of the voting rights in the Company and the Ordinary Shares remain admitted to trading on AIM.

11.6 Registrar Agreement

Pursuant to the Registrar Agreement dated 25 May 2021, Link Market Services Limited was appointed as registrar to the Company. Under the terms of the Registrar Agreement, the Registrar is responsible for functions such as maintaining and updating the register of members of the Company on a daily basis, daily reconciliation of CREST account movements with Euroclear UK & Ireland Limited, and preparing, sealing and issuing new share certificates of the Company in accordance with the Articles.

Under the Registrar Agreement, the Registrar receives fees in such amount as agreed in writing from time to time between the Registrar and the Company.

The Registrar Agreement shall be for an initial term of two years from Admission (the “**Initial Period**”), following which it will automatically renew for a 12 months period unless terminated by either party: (i) at the end of the Initial Period, provided written notice is given to the other party at least three months prior to the end of the Initial Period; or (ii) at the end of any successive 12 month period, provided written notice is given to the other party at least three months prior to the end of such successive 12 month period.

There is no direct contractual relationship between the Shareholders and the Registrar. Shareholders therefore have no direct contractual rights against the Registrar and there are only limited circumstances in which a Shareholder may potentially bring a claim against the Registrar.

The Registrar Agreement is governed by the laws of England.

11.7 Contracts relating to the Group's US operations

11.7.1 Importation services agreement

SMWS has entered into an importation services agreement with ABCK Corp., a Delaware corporation under the terms of which the Group sells products to ABCK Corp in the UK for importation into the US (specifically, New York state). The Group pays fees under the importation services agreement based on the number of bottles which are imported. The agreement may be terminated by either party by giving the other not less than 360 days' written notice. The agreement provides that ABCK Corp will be the exclusive importer of SMWS products into the US.

The importation services agreement is governed by the laws of the State of New York.

11.7.2 Membership services agreement

SMWS has entered into a membership services agreement with Newmake Inc., a Delaware corporation, under the terms of which Newmake Inc. sells Scotch Malt Whisky Society memberships and other branded accessories in the US. The Group pays fees under the membership services agreement in respect of any membership order, membership renewal, bottle order or tasting kit order which is received from members by Newmake Inc. The agreement may be terminated by either party by giving the other not less than 360 days' written notice.

The membership services agreement is governed by the laws of the State of New York.

11.7.3 Marketing services agreement

SMWS has entered into a marketing services agreement with ABCK Corp., a Delaware corporation under the terms of which ABCK Corp provides marketing services in the US in relation to the Group's products. The Group pays a fixed fee under the marketing services agreement and a commission based on the revenue of the products sold in the territory. The agreement may be terminated by either party by giving the other not less than 6 months' written notice after an initial period.

The marketing services agreement is governed by the laws of the State of New York.

11.8 Contracts relating to the Group's Asia operations

11.8.1 Shareholders' agreement relating to SMWS Japan

SMWS and Mark Bedingham have entered into a shareholders' agreement in relation to SMWS Japan. The shareholders' agreement governs the relationship between SMWS which owns 70 per cent. of SMWS Japan and Mark Bedingham who owns 30 per cent. of SMWS Japan.

The shareholders' agreement shall terminate when one of the two parties cease to hold any shares in SMWS Japan or when a resolution is passed in relation to the winding up of SMWS Japan. The shareholders' agreement includes put and call option provisions in relation to the minority position held by Mark Bedingham in SMWS Japan, whereby Mark may take up an option to sell his shares, or SMWS may take up an option to purchase his shares, at a pre-determined price. These options became exercisable by either party in April 2021. As at the date of this Document, neither party has expressed an interest in exercising the options.

The shareholders' agreement is governed by Scots law.

11.8.2 Shareholders' agreement relating to SMWS China

SMWS, Terroir Novo Investment Limited, Christina Leung and SMWS China have entered into a shareholders' agreement in relation to SMWS China. The shareholders' agreement governs the relationship between SMWS which owns 65 per cent. of SMWS China and Terroir Novo Investment Limited which owns 35 per cent. of SMWS China.

The shareholders' agreement shall terminate when one of the two shareholder parties cease to hold any shares in SMWS China or when a resolution is passed in relation to the winding up of SMWS China. The shareholders' agreement includes put and call option provisions in relation to the minority position held by Terroir Novo Investment Limited in SMWS China, whereby Terroir Novo Investment Limited may take up an option to sell its shares, or SMWS may take up an option to purchase the shares held by Terroir Novo Investment Limited, at a pre-determined price. These options will become exercisable by either party in December 2021.

The shareholders' agreement is governed by Hong Kong law.

11.9 RBS Facility Agreement

The Company and SMWS entered into a revolving credit facility agreement with RBS on 19 January 2021. The facility has a limit of £18.5 million, which may, if RBS agrees, be increased by £3 million. The availability of funds under the facility agreement is linked to a calculation of eligible inventory. The facility is available for three years.

Interest under the RBS Facility Agreement is calculated based on the prevailing Bank of England sterling overnight index average (commonly referred to as SONIA). Security is granted by the Company via a separate floating charge over the Company's property, undertaking, assets and rights owned at the time the floating charge was granted and in the future.

The facility is committed, subject to compliance with representations, undertakings and events of default, including financial covenants in respect of minimum EBITDA and net tangible assets, tested only if the cover afforded by inventory levels falls below a stated level.

11.10 Sterling lease purchase facility

SMWS entered into an uncommitted lease purchase facility with Lombard North Central PLC ("**Lombard**") on 25 November 2020. The facility has a limit of £1 million. The facility allows the Group to purchase wooden casks with financing provided by Lombard.

Interest under the facility is charged at a fixed rate and the facility is available for 60 months from the date it was entered into.

12. Related party transactions

Other than the arrangements between Mark Bedingham and SMWS in relation to SMWS Japan, as further described in paragraph 11.8 above, there are no related party transactions that the Group has entered into during the period covered by the historic financial information set out in Part 3 up to the date of this Document.

13. Premises

13.1 As at the date of this Document, the Group has the following heritable property interests:

<i>Address</i>	<i>Use/nature of premises</i>
Ground floor premises, The Vaults, 87 Giles Street, Edinburgh	Head office and venue
Flat 2/2 Giles Street, Edinburgh	Accommodation for members
Flat 2/3 Giles Street, Edinburgh	Accommodation for members

13.2 As at the date of this Document, the Group has the following leased property interests:

<i>Address</i>	<i>Use/nature of premises</i>
28 Queen Street, Edinburgh	Venue and office space
Basement premises, 38/38A Bath Street, Glasgow	Venue
First and second floor premises, 19 Greville Street, London	Venue and office space

14. Working capital

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

15. Litigation

No member of the Group is or has been involved in any governmental, legal or arbitration proceedings which may have or have had during the 12 months preceding the date of this Document, a significant effect on the financial position or profitability of the Company and/or the Group nor, so far as the Company is aware, are any such proceedings pending or threatened.

16. Significant change

There has been no significant change in the financial performance or financial position of the Group since 31 December 2020, being the end of the period to which the last audited financial information for the Group, set out in Part 3 of this Document, relates.

17. Consents

17.1 Each of Nplus1 Singer Advisory LLP and Nplus1 Singer Capital Markets Limited has given and has not withdrawn its written consent to the issue of this Document with the inclusion of its name in the form and context in which it appears.

17.2 BDO LLP has given and not withdrawn its written consent to the inclusion of its report in section A of Part 3 of this Document in the form and context in which it appears and has authorised the contents of that report for the purposes of Schedule Two of the AIM Rules for Companies.

18. General

18.1 The gross proceeds of the Fundraising due to the Company are expected to be approximately £15.0 million. The expenses of the Fundraising which are payable by the Company are estimated at £1.8 million, including VAT.

- 18.2 Save as disclosed in this Document, no person (excluding professional advisers otherwise disclosed in this Document and trade suppliers) has received, directly or indirectly, within the 12 months preceding the date of this Document or entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission:
- 18.2.1 fees totalling £10,000 or more;
 - 18.2.2 securities where these have a value of £10,000 or more calculated by reference to the Offer Price; or
 - 18.2.3 any other benefit with a value of £10,000 or more at the date of Admission.
- 18.3 Information in this Document which has been sourced from third parties has been accurately reproduced and so far as the Company is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 18.4 Save as disclosed in this Document, the Directors are unaware of any exceptional factors which have influenced the Company's activities during FY18, FY19 and FY20.
- 18.5 Save as disclosed in this Document, the Directors are unaware of any environmental issues that may affect the Group's utilisation of its tangible fixed assets.
- 18.6 Save as disclosed in this Document, the Directors are unaware of any:
- 18.6.1 significant trends in production, sales and inventory and costs and selling prices since 31 December 2020 (being the date to which the last audited accounts of the Company were prepared) to the date of this Document; and
 - 18.6.2 trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for at least the current financial year.
- 18.7 Save as disclosed in this Document, there are no investments made or in progress and there are no future investments on which the Directors have already made firm commitments which are significant to the Group.
- 18.8 Save as disclosed in this Document, the Directors believe that the Company is not dependent on patents or licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Company's business or profitability.
- 18.9 Since the date of incorporation of the Company, there has been no takeover offer (within the meaning of Part 28 of the Act) for any Ordinary Shares.
- 18.10 The current accounting reference period of the Company will end on 31 December 2021.
- 18.11 The financial information contained in Part 3 of this Document does not constitute statutory accounts within the meaning of section 434 of the Act. The auditor for each of the periods ended 31 December 2018, 31 December 2019 and 31 December 2020 was Johnston Carmichael LLP, a member firm of the Institute of Chartered Accountants in Scotland and registered auditor, of 7-11 Melville Street, Edinburgh EH3 7PE. A copy of the audited statutory accounts of the Company for each of the periods ended 31 December 2018, 31 December 2019 and 31 December 2020 has been delivered to the Registrar of Companies in Scotland. The auditor's reports for each of the periods ended 31 December 2018, 31 December 2019 and 31 December 2020 under section 495 of the Act on those accounts were unqualified and did not contain any statement under section 498 of the Act.
- 18.12 The Fundraising will result in the allotment and issue of a total of 13,392,858 New Ordinary Shares, diluting existing holders of Ordinary Shares (and their corresponding voting rights) by approximately 19.2 per cent. (excluding any dilution to the Selling Shareholders' holdings as a result of the sale of their Sale Shares as part of the Fundraising).
- 18.13 The Company's net asset value per Ordinary Share as at 31 December 2020 was 96.1 pence per share (representing 23.1 pence per share following completion of the Pre-IPO Reorganisation). The Offer Price per Ordinary Share is 112 pence.

19. Selling Shareholders

The names and contact addresses of each of the Selling Shareholders, their relationship with the Company and the number of Sale Shares to be sold by them in the Fundraising, are set out below:

<i>Name</i>	<i>Address</i>	<i>Relationship with the Company</i>	<i>Number of Sale Shares to be sold</i>
Inverleith (ASC) Limited	43 Melville Street, Edinburgh EH3 7JF	Major shareholder	3,793,720
HIL (Nominees) Limited	c/o Inverleith (ASC) Limited, 43 Melville Street, Edinburgh EH3 7JF	Major shareholder	2,132,852
Birdwing Investments Limited	c/o The Vaults, 87 Giles Street, Edinburgh EH6 6BZ	Major shareholder	779,280
Mehdi Shalfrooshan	c/o The Vaults, 87 Giles Street, Edinburgh EH6 6BZ	Former director	747,332
Pei Chun Huang	c/o The Vaults, 87 Giles Street, Edinburgh EH6 6BZ	Business partner	395,884
Paul Skipworth	c/o The Vaults, 87 Giles Street, Edinburgh EH6 6BZ	Director	355,500
David Ridley	c/o The Vaults, 87 Giles Street, Edinburgh EH6 6BZ	Director	354,752
Kai Ivalo	c/o The Vaults, 87 Giles Street, Edinburgh EH6 6BZ	Senior manager	321,752
Neil Aitken	c/o The Vaults, 87 Giles Street, Edinburgh EH6 6BZ	Employee	287,000
William Bremner	c/o The Vaults, 87 Giles Street, Edinburgh EH6 6BZ	Senior manager	158,252
Denton & Co Trustees Limited re P Miles	c/o The Vaults, 87 Giles Street, Edinburgh EH6 6BZ	Shareholder	95,012
Angus MacDonald	c/o The Vaults, 87 Giles Street, Edinburgh EH6 6BZ	Shareholder	87,092
Jan Damen	c/o The Vaults, 87 Giles Street, Edinburgh EH6 6BZ	Senior manager	73,772
Paul Miles	c/o The Vaults, 87 Giles Street, Edinburgh EH6 6BZ	Shareholder	58,908
Euan Campbell	c/o The Vaults, 87 Giles Street, Edinburgh EH6 6BZ	Employee	45,000
Michelle MacDonald	c/o The Vaults, 87 Giles Street, Edinburgh EH6 6BZ	Shareholder	39,588
Christopher Richardson	c/o The Vaults, 87 Giles Street, Edinburgh EH6 6BZ	Employee	35,300
Carol Pryde	c/o The Vaults, 87 Giles Street, Edinburgh EH6 6BZ	Employee	20,652
Gavin Nicholson	c/o The Vaults, 87 Giles Street, Edinburgh EH6 6BZ	Employee	12,240
Laura Roberts	c/o The Vaults, 87 Giles Street, Edinburgh EH6 6BZ	Employee	12,240
Gregor Forbes	c/o The Vaults, 87 Giles Street, Edinburgh EH6 6BZ	Employee	7,652
Paul Kerr	c/o The Vaults, 87 Giles Street, Edinburgh EH6 6BZ	Employee	7,652

20. Taxation

The following statements are intended only as a general guide as at the date of this Document to UK 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 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 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 addressed. 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 UK is strongly recommended to consult his professional advisers immediately.

20.1 Stamp duty and stamp duty reserve tax

Generally, no charge to stamp duty or stamp duty reserve tax (“SDRT”) should arise on the issue of Ordinary Shares or on their registration in the names of applicants.

As a result of the change to stamp duty and SDRT legislation in the Finance Act 2014, a subsequent transfer on 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, provided that AIM remains a recognised growth market and 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 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.

20.2 **Dividends**

No UK tax is required to be withheld from dividend payments made by the Company.

Individual holders of Ordinary Shares will be taxed on the total of the dividend actually received. For the tax year 2021/22, the first £2,000 of dividend income received by an individual is subject to zero per cent. tax. The rate of tax payable on dividends depends on the individual's other taxable income and 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. Investors should be aware that the income tax bands differ slightly between England and Wales and Scotland.

A holder of Ordinary Shares which is a company resident for tax purposes in the UK 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.

20.3 **Disposal of Ordinary Shares acquired under the Fundraising**

A Shareholder who is an individual resident for tax purposes in the UK who sells or otherwise disposes of their 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 £12,300 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. 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 advisers.

A Shareholder who is not resident for tax purposes in the UK may not, depending on their circumstances, be liable for UK tax on capital gains realised on the disposal of their 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.

20.4 **Inheritance tax**

The Ordinary Shares will be assets situated in the UK for the purposes of UK 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 UK inheritance tax, even if the holder is neither domiciled in the UK nor deemed to be domiciled there (under certain rules relating to long residence or previous domicile). Generally, UK 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 or 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 UK inheritance tax and to a similar tax in another jurisdiction, or if they are in any doubt about their UK 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 of the FCA). Business property relief operates by reducing the value of shares by up to 100 per cent. for inheritance tax purposes.

Persons who are not resident in the UK should consult their own tax advisers on the possible application of such provisions and on what relief or credit may be claimed for any such tax credit in the jurisdiction in which they are resident.

This summary of UK taxation issues is intended only as a general guide to the current tax position in the UK 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 UK, you should consult your professional adviser.

21. **Takeover Code, Concert Party, squeeze out and sell-out**

21.1 **The Takeover Code and Rule 9**

The Company is a public limited company incorporated in Scotland and its Ordinary Shares will be admitted to trading on AIM. Accordingly, the Takeover Code applies to the Company and, as a result, Shareholders are entitled to the benefit of the protections provided under the Takeover Code.

Under Rule 9 of the Takeover Code ("**Rule 9**"), any person who acquires an interest in shares (as defined in the Takeover Code), whether by a series of transactions over a period of time or not, which (taken together with shares in which persons acting in concert (as defined in the Takeover Code) with him are interested) in aggregate, carry 30 per cent. or more of the voting rights of a company which is subject to the Takeover Code, is normally required by the Takeover Panel to make a general offer to all of 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 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, a general offer will normally be required if any further interests in shares are acquired by any such person(s) which increases the percentage of shares carrying voting rights in which he is (or they are) interested.

An offer under Rule 9 must be in cash, or be accompanied by a cash alternative, 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 during the 12 months prior to the announcement of the offer.

21.2 **Concert Party**

The Takeover Code defines persons “acting in concert” as comprising persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control of a company or to frustrate the successful outcome of an offer for a company. “Control” means an interest, or interests, in shares carrying in aggregate 30 per cent. or more of the voting rights of a company, irrespective of whether such interest or interests give de facto control. A person and each of its affiliated persons will be deemed to be acting in concert with each other. The Takeover Code contains 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.

The list includes:

- a company, its parent, subsidiaries and fellow subsidiaries, and their associated companies, and companies of which such companies are associated companies, all with each other (for this purpose ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of associated company status);
- a fund manager (including an exempt fund manager) with any investment company, unit trust or other person whose investments such fund manager manages on a discretionary basis, in respect of the relevant investment accounts;
- a person, the person’s close relatives, and the related trusts of any of them, all with each other; and
- shareholders in a private company who sell their shares in that company in consideration for the issue of new shares in a company to which the Takeover Code applies, or who, following the re-registration of that company as a public limited company in connection with an initial public offering or otherwise, become shareholders in a company to which the Takeover Code applies.

For the purposes of the Takeover Code, and following discussions with the Takeover Panel, it has been agreed that the following persons are presumed to be acting in concert in relation to the Company (the “**Concert Party**”):

- Inverleith (ASC) Limited¹;
- Inverleith LLP²;
- Inverleith GP Limited³;
- Inverleith Limited Partnership⁴;
- Inverleith (MZ) Limited⁴;
- Inverleith (MT) Limited⁴;
- Inverleith (PO) Limited⁴;
- Inverleith (B&M) Limited⁴;
- Montane Ltd⁵;
- Revenge Holdings Limited (trading as Montezuma’s)⁶;
- Planet Organic Limited⁷;
- Braham & Murray Limited (trading as Good Hemp)⁸;

¹ Inverleith (ASC) Limited is a wholly owned subsidiary of Inverleith Limited Partnership, a private equity fund which beneficially owns Ordinary Shares in the Company

² Inverleith LLP is the manager of Inverleith Limited Partnership and Inverleith GP Limited

³ Inverleith GP Limited is the general partner of Inverleith Limited Partnership

⁴ Inverleith Limited Partnership holds equity interests in its portfolio companies through its wholly owned subsidiaries Inverleith (ASC) Limited, Inverleith (MZ) Limited, Inverleith (MT) Limited, Inverleith (PO) Limited and Inverleith (B&M) Limited

⁵ Montane Ltd is an associated company of Inverleith (MT) Limited

⁶ Revenge Holdings Limited is an associated company of Inverleith (MZ) Limited

⁷ Planet Organic Limited is an associated company of Inverleith (PO) Limited

⁸ Braham & Murray Limited is an associated company of Inverleith (B&M) Limited

- Access Capital Partners⁹;
- Ben Thomson¹⁰;
- Paul Skipworth¹¹;
- Stella Morse¹²;
- Michael Atkinson¹³;
- Martin Payne¹⁴;
- Mark Bedingham¹⁵;
- John Dunsmore¹⁶;
- Andrew Knowles¹⁷;
- James Stott¹⁸; and
- Dr Harriet Skipworth¹⁹.

The members of the Concert Party are each described in the footnotes next to their names.

The beneficial shareholdings of the members of the Concert Party (if any) before Admission, immediately following Admission and on exercise of all of the options held by members of the Concert Party, assuming no further Ordinary Shares are issued by the Company, are or will be as follows:

Shareholder	Immediately prior to Admission		Immediately following Admission			On a fully diluted basis ²⁰	
	Number of Ordinary Shares	% of Ordinary Shares	Number of Ordinary Shares	% of Enlarged Share Capital	Share options held	Number of Ordinary Shares	% of the issued Ordinary Shares
Inverleith (ASC) Limited	15,971,484	28.4	12,177,764	17.5%	–	12,177,764	17.4%
Ben Thomson	5,675,976	10.1	5,675,976	8.2%	–	5,675,976	8.1%
Mark Bedingham	3,280,756	5.8	2,501,476	3.6%	–	2,501,476	3.6%
John Dunsmore	3,239,384	5.8	3,239,384	4.7%	–	3,239,384	4.6%
James Stott	680,208	1.2	577,264	0.8%	–	577,264	0.8%
Paul Skipworth	609,012	1.1	237,220	0.3%	474,000	711,220	1.0%
Dr Harriet Skipworth	566,664	1.0	566,664	0.8%	–	566,664	0.8%
Andrew Knowles	531,948	0.9	405,592	0.6%	–	405,592	0.6%
Michael Atkinson	12,912	0.0	9,844	0.0%	–	9,844	0.0%
Total	30,568,344	54.4	25,391,184	36.5%	474,000	25,865,184	36.9%

21.3 Squeeze out

Under the Act, if a “takeover offer” (as defined in section 974 of the Act) is made for the Ordinary Shares and the offeror were to acquire, or unconditionally contract to acquire, not less than 90 per cent. in value of the Ordinary 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 could acquire compulsorily the remaining Ordinary

⁹ Access Capital Partners are invested in two limited partners of Inverleith Limited Partnership; Access Capital Fund VII Growth Buy-Out Europe LP and BVK PE Europe 2014 LP

¹⁰ Ben Thomson is Partner and Chairman and the co-founder of Inverleith LLP, he is also a limited partner of Inverleith Limited Partnership

¹¹ Paul Skipworth is the Deputy Chair of the Company, Managing Partner and the co-founder of Inverleith LLP. He is also a limited partner of Inverleith Limited Partnership

¹² Stella Morse is Chief Financial Officer of Inverleith LLP and a limited partner of Inverleith Limited Partnership

¹³ Michael Atkinson is an Investment Director at Inverleith LLP and a limited partner of Inverleith Limited Partnership

¹⁴ Martin Payne is an Investment Manager of Inverleith LLP and a limited partner of Inverleith Limited Partnership

¹⁵ Mark Bedingham is a non-executive Director of the Company and a senior adviser to Inverleith LLP and holds an interest in Ordinary Shares through Birdwing Investments Limited

¹⁶ John Dunsmore is a senior adviser to Inverleith LLP

¹⁷ Andrew Knowles is a senior adviser to Inverleith LLP

¹⁸ James Stott is an associate of Ben Thomson

¹⁹ Dr Harriet Skipworth is Paul Skipworth’s wife

²⁰ Assuming all options over Ordinary Shares held by the relevant members of the Concert Party are exercised in full but no other options are exercised

Shares which have not been assented to the takeover offer. It would do so by sending a notice to outstanding Shareholders 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 the outstanding Shareholders. The consideration offered to the Shareholders whose Takeover Offer Shares are acquired compulsorily under the Act must, in general, be the same as the consideration that was available under the takeover offer.

21.4 **Sell-out**

The 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 relates to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted the offeror holds or has agreed to acquire not less than 90 per cent. of the Ordinary Shares (being voting shares that carry voting rights in the Company), any holder of Ordinary Shares to which the offer relates who has not accepted the offer is entitled by a written communication to the offeror to require it to acquire its Ordinary 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 or, if later, the giving of notice. If a Shareholder exercises his sell-out rights, the offeror is bound to acquire those Ordinary Shares on the terms of the offer or on such other terms as may be agreed.

22. Availability of this Document

A copy of this Document is available at the Company's website www.artisanal-spirits.com.

Dated: 3 June 2021

PART 5

TERMS AND CONDITIONS OF THE PLACING

The terms and conditions set out in this Part 5 (the “**Terms and Conditions**”) and the information comprising this Document are restricted and are not for publication, release or distribution, in whole or in part, directly or indirectly, in or into the United States, Australia, Canada, Japan, New Zealand, the Republic of South Africa or any other state or jurisdiction in which such publication, release or distribution would be unlawful. The Terms and Conditions and the information contained herein is not intended to and does not contain or constitute an offer of, or the solicitation of an offer to buy or subscribe for, securities to any person in the United States, Australia, Canada, Japan, New Zealand, the Republic of South Africa or any other state or jurisdiction in which such an offer would be unlawful.

1. Important information for invited placees only regarding the Placing

- 1.1 Members of the public are not eligible to take part in the Placing. This Document and the Terms and Conditions set out in this Part 5 are for information purposes only and are directed only at: (A) persons in member states of the European Economic Area (the “**EEA**”) who are qualified investors within the meaning of Article 2(e) of Regulation (EU) 2017/1129, as amended from time to time, (the “**EU Prospectus Regulation**”) (“**Qualified Investors**”), (B) if in the United Kingdom, persons who are qualified investors within the meaning of the UK version of the EU Prospectus Regulation which forms part of domestic law pursuant to the European Union (Withdrawal) Act 2018 (the “**UK Prospectus Regulation**”) and who (i) have professional experience in matters relating to investments who fall within the definition of ‘Investment Professionals’ in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 as amended (the “**Order**”), or (ii) are high net worth companies, unincorporated associations or partnership or trustees of high value trusts as described in Article 49(2) of the Order and (C) otherwise, to persons to whom it may otherwise be lawful to communicate it to (each a “**Relevant Person**”). No other person should act or rely on this Document and persons distributing this Document must satisfy themselves that it is lawful to do so. By accepting the Terms and Conditions each Placee represents and agrees that it is a Relevant Person. This Document and the Terms and Conditions set out herein must not be acted on or relied on by persons who are not Relevant Persons in connection with the Placing. Any investment or investment activity to which this Document and the Terms and Conditions set out herein relate is available only to Relevant Persons in connection with the Placing and will be engaged in only with Relevant Persons. This Document does not itself constitute an offer for sale or subscription of any securities in the Company.
- 1.2 The Placing Shares have not been and will not be registered under the Securities Act, or under the applicable securities laws of any state or other jurisdiction of the United States, and may not be offered, sold, taken up, resold, transferred or delivered, directly or indirectly, within, into or in the United States, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with the securities laws of any relevant state or other jurisdiction of the United States. There will be no public offer of the Placing Shares in the United States.
- 1.3 The Placing Shares are being offered and sold outside the United States in accordance with Regulation S under the Securities Act.
- 1.4 Each Placee should consult with its own advisers as to legal, tax, business, financial and related aspects of a subscription for or acquisition of the Placing Shares.
- 1.5 The Placees will be deemed to have read and understood this Document in its entirety and to be making such offer on these Terms and Conditions, and to be providing the representations, warranties, acknowledgements and undertakings contained in these Terms and Conditions. In particular each such Placee represents, warrants and acknowledges that:
 - 1.5.1 it is a Relevant Person (as defined above) and undertakes that it will subscribe for, hold, manage or dispose of any Placing Shares that are allocated to it for the purposes of its business; and

- 1.5.2 in the case of a Relevant Person in the United Kingdom who acquires any Placing Shares pursuant to the Placing:
- (a) it is a Qualified Investor within the meaning of Article 2(e) of the UK Prospectus Regulation; and
 - (b) in the case of any Placing Shares acquired by it as a financial intermediary, as that term is used in Article 5(1) of the UK Prospectus Regulation:
 - (i) the Placing Shares acquired by it in the Placing have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in the United Kingdom other than Qualified Investors or in circumstances in which the prior consent of N+1 Singer has been given to the offer or resale; or
 - (ii) where Placing Shares have been acquired by it on behalf of persons in the United Kingdom other than Qualified Investors, the offer of those Placing Shares to it is not treated under the UK Prospectus Regulation as having been made to such persons; and
- 1.5.3 in the case of a Relevant Person in a member state of the EEA (each a “**Relevant State**”) who acquires any Placing Shares pursuant to the Placing:
- (a) it is a Qualified Investor within the meaning of Article 2(e) of the EU Prospectus Regulation; and
 - (b) in the case of any Placing Shares acquired by it as a financial intermediary, as that term is used in Article 5(1) of the EU Prospectus Regulation:-
 - (i) the Placing Shares acquired by it in the Placing have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in a Relevant State other than Qualified Investors or in circumstances in which the prior consent of N+1 Singer has been given to the offer or resale; or
 - (ii) where Placing Shares have been acquired by it on behalf of persons in a Relevant State other than Qualified Investors, the offer of those Placing Shares to it is not treated under the EU Prospectus Regulation as having been made to such persons.
- 1.6 Persons (including without limitation, nominees and trustees) who have a contractual or other legal obligation to forward a copy of this Document of which these Terms and Conditions form part should seek appropriate advice before taking any action.
- 1.7 Neither N+1 Singer, nor any of its affiliates, agents, directors, officers or employees, make any representation to any Placees regarding an investment in the Placing Shares.

2. Application for Admission to Trading

Application has been made to the London Stock Exchange for admission to trading of the Placing Shares on AIM. It is expected that Admission of the Placing Shares will become effective at or around 8.00 a.m. on 4 June 2021 and that dealings in the Placing Shares will commence immediately after that time.

3. Participation in and principal terms of the Placing

- 3.1 N+1 Singer is acting as agent of the Company and the Selling Shareholders in connection with the Placing and is acting as agent for no one else in connection with the Placing and will not regard any other person (whether or not a recipient of these Terms and Conditions) as a client in relation to the Placing.
- 3.2 Participation in the Placing will be available only to persons who may lawfully be, and are, invited to participate by N+1 Singer.

- 3.3 These Terms and Conditions apply to Placees. Each Placee hereby agrees with N+1 Singer to be legally and irrevocably bound by these Terms and Conditions which will be the Terms and Conditions on which the Placing Shares will be acquired in the Placing.
- 3.4 The Terms and Conditions must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which the Terms and Conditions set out herein relates is available only to Relevant Persons and will be engaged in only with Relevant Persons.
- 3.5 An offer (whether orally or in writing) to acquire Placing Shares will be made on these Terms and Conditions (which shall be deemed to be incorporated in such offer) and will be legally binding on the Placee and will not be capable of variation or revocation without N+1 Singer's written consent.
- 3.6 If successful, each Placee's allocation will be confirmed to it by N+1 Singer. Oral or written confirmation (at N+1 Singer's discretion) will constitute a binding irrevocable commitment by a Placee, subject to the Terms and Conditions set out below, to subscribe and pay for the relevant number of Placing Shares at the Offer Price (the "**Placing Participation**"). Such commitment is not capable of termination or rescission by the Placee in any circumstances except fraud. All such obligations are entered into by the Placee with N+1 Singer in its capacity as agent for the Company and are therefore directly enforceable by the Company.
- 3.7 Each Placee's commitment will be made solely on the basis of the information set out in this Document. By participating in the Placing, each Placee will be deemed to have read and understood these Terms and Conditions and this Document in its entirety and to be participating and making an offer for the Placing Shares on these Terms and Conditions and to be providing the representations, warranties and acknowledgements and undertakings contained in these Terms and Conditions.
- 3.8 All obligations under the Placing will be subject to fulfilment of the conditions referred to below under "Conditions of the Placing" and to the Placing not being terminated on the basis referred to below under "Right to terminate under the Placing Agreement".
- 3.9 Irrespective of the time at which a Placee's allocation pursuant to the Placing is confirmed, settlement for all Placing Shares to be subscribed for pursuant to the Placing will be required to be made at the same time, on the basis explained below under "Registration and settlement".
- 3.10 Except as required by law or regulation, no press release or other announcement will be made by N+1 Singer or the Company using the name of any Placee (or its agent), in its capacity as Placee (or agent), other than with such Placee's prior written consent.
- 3.11 To the fullest extent permissible by law and applicable FCA rules, neither N+1 Singer, the Company, the Selling Shareholders nor any of their respective affiliates, agents, directors, officers or employees shall have any responsibility or liability (whether in contract, tort or otherwise) to Placees (or to any other person whether acting on behalf of a Placee or otherwise).

4. Details of the Placing Agreement and of the Placing Shares

- 4.1 N+1 Singer, the Nomad, the Company, the Selling Shareholders and the Directors have entered into the Placing Agreement pursuant to which N+1 Singer has agreed that it will, as agent for and on behalf of the Company and the Selling Shareholders, use its reasonable endeavours to procure Placees at the Offer Price for up to: (i) 13,392,858 New Ordinary Shares; and (ii) 7,027,322 Sale Shares proposed to be sold by the Selling Shareholders. The Placing is not underwritten by N+1 Singer.
- 4.2 The New Ordinary Shares will, when issued, be credited as fully paid and will rank *pari passu* in all respects with the Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid in respect of the Ordinary Shares after Admission.

5. Conditions of the Placing

- 5.1 The Placing is conditional upon the Placing Agreement becoming unconditional and not having been terminated in accordance with its terms.

- 5.2 The Placing Agreement contains certain warranties from the Directors, certain warranties from the Selling Shareholders, and certain warranties and indemnities from the Company, in each case for the benefit of N+1 Singer and the Nomad. N+1 Singer may terminate the Placing Agreement if prior to Admission, *inter alia*, there is a market disruption event, there is a breach of any of the undertakings, or any fact or circumstances arise which cause a warranty to become untrue, inaccurate or misleading.
- 5.3 None of the Company, the Directors, the Selling Shareholders, the Nomad or N+1 Singer owes any fiduciary duty to any Placee in respect of the representations, warranties, undertakings or indemnities in the Placing Agreement.
- 5.4 If (i) any of the conditions contained in the Placing Agreement, including those described above, are not fulfilled (or, where permitted, waived or extended in writing by N+1 Singer) or have become incapable of fulfilment on or before the date or time specified for the fulfilment thereof (or such later date and/or time as N+1 Singer may agree), or (ii) the Placing Agreement is terminated in the circumstances specified below, the Placing will not proceed and the Placees' rights and obligations hereunder in relation to the Placing Shares shall cease and terminate at such time and each Placee agrees that no claim can be made by the Placee in respect thereof. N+1 Singer may waive certain conditions contained in the Placing Agreement. Any such extension or waiver will not affect Placees' commitments as set out in this Document.
- 5.5 If (i) any of the conditions in the Placing Agreement are not satisfied (or, where relevant, waived) or (ii) the Placing Agreement is terminated or (iii) the Placing Agreement does not otherwise become unconditional in all respects, the Placing will not proceed and all funds delivered by the Placee to N+1 Singer will be returned to the Placee at its own risk without interest, and each Placee's rights and obligations hereunder shall cease and determine at such time and no claim shall be made by the Placee in respect thereof.
- 5.6 Neither N+1 Singer nor any of its affiliates, agents, directors, officers or employees shall have any liability to any Placee (or to any other person whether acting on behalf of a Placee or otherwise) in respect of any decision they may make as to whether or not to waive or to extend the time and/or the date for the satisfaction of any condition to the Placing nor for any decision they may make as to the satisfaction of any condition or in respect of the Placing generally, and by participating in the Placing each Placee agrees that any such decision is within the absolute discretion of N+1 Singer.

6. Lock-in

The Company has agreed with N+1 Singer and the Nomad that it will not at any time during the period of one year from the date of Admission, without the prior written consent of the Nomad, offer, issue, sell, contract to sell, issue options in respect of or otherwise dispose of any securities of the Company (or any interest therein or in respect thereof) or any other securities exchangeable for, or convertible into, or substantially similar to, Ordinary Shares or enter into any transaction having substantially the same effect or agree to do any of the foregoing, other than pursuant to such share option schemes and other employee incentive arrangements as are described in this Document or as contemplated by the Placing Agreement.

7. Right to terminate under the Placing Agreement

- 7.1 At any time before Admission, N+1 Singer is entitled to terminate the Placing Agreement by giving notice in writing to the Company if, amongst other things: (i) any of the Company or the Directors or the Major Selling Shareholder has failed to comply with any of their obligations under the Placing Agreement; or (ii) any of the representations and warranties is, or has ceased to be, true and accurate or not misleading; or (iii) in the opinion of N+1 Singer (acting in good faith) there has been a material adverse change in, or any development involving or reasonably likely to involve a prospective material adverse change in, or affecting, the condition (financial, operational or legal) or the earnings, management, solvency, business prospects or financial prospects of the Company or the Group (taken as a whole), whether or not arising in the ordinary course of business; or (iv) in the opinion of N+1 Singer (acting in good faith) the occurrence of a market disruption event as specified in the Placing Agreement.

- 7.2 Upon such notice being given, the parties to the Placing Agreement shall be released and discharged (except for any liability arising before or in relation to such termination) from their respective obligations under or pursuant to the Placing Agreement, subject to certain exceptions.
- 7.3 By participating in the Placing, Placees agree that the exercise by N+1 Singer of any right of termination or other discretion under the Placing Agreement shall be within its absolute discretion and that they do not need to make any reference to Placees and that N+1 Singer shall not have any liability to Placees whatsoever in connection with any such exercise and neither the Company nor N+1 Singer nor any of the Selling Shareholders nor any of their respective directors, officers, employees, agents or affiliates shall have any liability to Placees whatsoever in connection with any such exercise or failure so to exercise.

8. No prospectus

- 8.1 No offering document or prospectus has been or will be submitted to be approved by the FCA or submitted to the London Stock Exchange in relation to the Placing and no such prospectus is required (in accordance with the UK Prospectus Regulation or other applicable law) to be published and Placees' commitments will be made solely on the basis of the information contained in this Document released by the Company today and any information publicly announced to a Regulatory Information Service by or on behalf of the Company on or prior to the date of this Document and subject to the further terms set forth in the contract note to be provided to individual prospective Placees.
- 8.2 Each Placee, by participating in the Placing, agrees that its commitment will be made solely on the information contained in this Document. Each Placee agrees that it has neither received nor relied on any other information, representation, warranty, or statement made by or on behalf of the Company, the Nomad, N+1 Singer or any of the Selling Shareholders or any other person and none of the Company, the Nomad, N+1 Singer, the Selling Shareholders or any of their respective affiliates will be liable for any Placee's decision to participate in the Placing based on any other information, representation, warranty or statement which the Placees may have obtained or received. Each Placee acknowledges and agrees that it has relied on its own investigation of the business, financial or other position of the Company in accepting a participation in the Placing. Nothing in this paragraph should exclude or limit the liability of any person for fraudulent misrepresentation by that person.

9. Registration and settlement

- 9.1 Settlement of transactions in the Placing Shares following Admission will take place within the CREST system administered by Euroclear UK & Ireland Limited, subject to certain exceptions. N+1 Singer and the Company reserve the right to require settlement for and delivery of the Placing Shares (or a portion thereof) to Placees in certificated form if delivery or settlement is not possible or practicable within the CREST system within the timetable set out in this Document or would not be consistent with the regulatory requirements in the Placee's jurisdiction.
- 9.2 It is expected that settlement will be on a delivery versus payment basis in accordance with the instructions set out in the trade confirmation.
- 9.3 If Placees do not provide any CREST details or if the Placees provide insufficient CREST details to match within the CREST system to its details, N+1 Singer may at its discretion deliver the Placees' Placing Participation in certificated form provided payment has been made in terms satisfactory to N+1 Singer and all conditions in relation to the Placing have been satisfied or waived.
- 9.4 Subject to the conditions set out above, payment in respect of the Placees' Placing Participation is due as set out below. Each Placee should provide its settlement details in order to enable instructions to be successfully matched in CREST. The relevant settlement details are as follows:

CREST participant ID of N+1 Singer:	ATMAY
CREST member ID of N+1 Singer:	PLACING
Expected Trade date:	1 June 2021
Settlement date:	4 June 2021
ISIN code for the Placing Shares:	GB00BNXM3P96

- 9.5 Deadline for Placee to input instructions into CREST: 12.00 pm (UK time) on 1 June 2021.
- 9.6 If Placing Shares are to be delivered to a custodian or settlement agent, Placees should ensure that the trade confirmation is copied and delivered immediately to the Relevant Person within that organisation. So long as any transfer on sale of, or unconditional agreement to transfer, the Placing Shares occurs at a time when the Placing Shares are admitted to trading on AIM and are not listed on a recognised stock exchange and included in the official list thereof, such transfer or agreement to transfer the Placing Shares should, subject to the representations and warranties provided below, be registered free from any liability to UK stamp duty or stamp duty reserve tax. Placees will not be entitled to receive any fee or commission in connection with the Placing.

10. Representations and warranties and further terms

- 10.1 By submitting a bid and/or participating in the Placing, each prospective Placee (and any person acting on such Placee's behalf) irrevocably acknowledges, confirms, undertakes, represents, warrants and agrees (as the case may be) to the Company and to N+1 Singer (in its capacity as agent of the Company and the Selling Shareholders) and to the Nomad and their respective directors, agents and advisors, in each case as a fundamental term of its application for Placing Shares, that:
- 10.1.1 it has read and understood this Document and these Terms and Conditions in their entirety and that its participation in the Placing and its acquisition of Placing Shares is subject to and based upon all the terms, conditions, representations, warranties, indemnities, acknowledgements, agreements and undertakings and other information contained herein and undertakes not to redistribute or duplicate this Document;
 - 10.1.2 no offering document or prospectus has been or will be prepared in connection with the Placing and it has not received and will not receive a prospectus or other offering document in connection with the Placing;
 - 10.1.3 the Placing does not constitute a recommendation or financial product advice and neither the Nomad nor N+1 Singer has had regard to its particular objectives, financial situation and needs;
 - 10.1.4 it has the power and authority to carry on the activities in which it is engaged, to subscribe and/or acquire Placing Shares and to execute and deliver all documents necessary for such acquisition;
 - 10.1.5 none of the Company, the Nomad, N+1 Singer, the Selling Shareholders, any of their respective affiliates, agents, directors, officers or employees or any person acting on behalf of any of them has provided, and none of them will provide, it with any material regarding the Placing Shares or the Company or any other person other than information included in this Document, nor has it requested N+1 Singer, the Nomad, the Company, any of the Selling Shareholders, any of their respective affiliates or any person acting on behalf of any of them to provide it with any such information;
 - 10.1.6 it has not relied on, received or requested, nor does it have any need to receive, any prospectus, offering memorandum, listing particulars or any other document other than this Document describing the business and affairs of the Company which has been prepared for delivery to prospective investors in order to assist them in making an investment decision in respect of the Placing Shares. It further confirms, represents and warrants that it is not relying on any information given or any representations, warranties, agreements or undertakings (express or implied), written or oral, or statements made at any time by the Company, the Nomad, N+1 Singer or any Selling Shareholder or by any of their respective officers, directors, agents, employees or advisers, or any other person in connection with the Placing other than information contained in this Document and none of N+1 Singer, the Nomad, the Company, the Selling Shareholders or any of their respective directors and/or employees and/or person(s) acting on behalf of any of them shall, to the maximum extent permitted under law, have any liability (except in the case of fraud) in respect of any such other information, representation, warranty, agreement, undertaking or statement. It irrevocably and unconditionally waives any right it may have in respect of such other information, representation, warranty, agreement, undertaking or statement. It further confirms, represents and warrants that in making its application under the Placing it will be relying solely on the information contained in this Document and these

Terms and Conditions and that it has reviewed this Document, including the discussion of the conditions of the Placing Agreement, commission payable to N+1 Singer, and the risk factors relating to the Company, its operations and the Ordinary Shares;

- 10.1.7 (i) none of the Company, the Nomad, N+1 Singer, the Selling Shareholders or any of their respective affiliates has made any representations to it, express or implied, with respect to the Company, the Placing and the Placing Shares or the accuracy, completeness or adequacy of any publicly available information, and each of them expressly disclaims any liability in respect thereof; and (ii) it will not hold the Nomad or N+1 Singer or any of their respective affiliates responsible for any misstatements in or omissions from any publicly available information. Nothing in this paragraph or otherwise in this Document excludes the liability of any person for fraudulent misrepresentation made by that person;
- 10.1.8 it and each account it represents is not and at the time the Placing Shares are subscribed for, neither it nor the beneficial owner of the Placing Shares will be a resident of Australia, Canada, Japan, New Zealand or the Republic of South Africa or any other jurisdiction in which it is unlawful to make or accept an offer to acquire the Placing Shares and further acknowledges that the Placing Shares have not been and will not be registered under the securities legislation of Australia, Canada, Japan, New Zealand or the Republic of South Africa and, subject to certain exceptions, may not be offered, sold, transferred, taken up, renounced, distributed or delivered, directly or indirectly, within or into those jurisdictions;
- 10.1.9 it and each account it represents is: (i) located outside the United States; (ii) acquiring the Placing Shares in an “offshore transaction” as defined in Regulation S under the Securities Act; (iii) not acquiring any of the Placing Shares as a result of any form of “directed selling efforts” (within the meaning of Regulation S under the Securities Act); and (iv) acquiring the Placing Shares for investment purposes and is not acquiring the Placing Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Placing Shares into the United States;
- 10.1.10 it understands, and each account it represents has been advised that: (i) the Placing Shares have not been and will not be registered under the Securities Act or under the applicable securities laws of any state or other jurisdiction of the United States; (ii) the Placing Shares are being offered and sold only in an “offshore transaction” within the meaning of and pursuant to Regulation S under the Securities Act; (iii) if in the future it decides to reoffer, resale, pledge or transfer the Placing Shares, it will do so only pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act; and (iv) no representation has been made as to the availability of any exemption under the Securities Act or any relevant state or other jurisdiction’s securities laws for the reoffer, resale, pledge or transfer of the Placing Shares;
- 10.1.11 it will not distribute, forward, transfer or otherwise transmit this Document or any other materials concerning the Placing (including any electronic copies thereof), in or into the United States;
- 10.1.12 the content of this Document is exclusively the responsibility of the Company and the Directors and that neither the Nomad nor N+1 Singer, nor any of their respective affiliates, agents, directors, officers or employees or any person acting on behalf of N+1 Singer or the Nomad has or shall have any liability for any information, representation or statement contained in this Document or any information previously or subsequently published by or on behalf of the Company, and will not be liable for any Placee’s decision to participate in the Placing based on any information, representation or statement contained in this Document or otherwise. Each Placee further represents, warrants and agrees that the only information on which it is entitled to rely and on which such Placee has relied in committing itself to subscribe for the Placing Shares is contained in this Document and any information previously published by the Company by notification to a RIS, such information being all that it deems necessary to make an investment decision in respect of the Placing Shares and that it has neither received nor relied on any other information given or representations, warranties or statements made by N+1 Singer or the Nomad or the Company or any Selling Shareholder and neither N+1 Singer, the Nomad, the Company nor any Selling Shareholder will be liable for any Placee’s decision to accept an invitation to participate in the Placing based on any other information, representation, warranty or statement;

- 10.1.13 time shall be of the essence as regards obligations pursuant to these Terms and Conditions;
- 10.1.14 it is the responsibility of any person outside of the United Kingdom wishing to subscribe for or purchase Placing Shares to satisfy himself that, in doing so, he complies with the laws of any relevant territory in connection with such subscription or purchase and that he obtains any requisite governmental or other consents and observes any other applicable formalities;
- 10.1.15 it is acting as principal and for no other person and that its acceptance of the Placing Participation will not give any other person a contractual right to require the issue by the Company of any Placing Shares;
- 10.1.16 from the point at which a request for admission to trading on AIM is made by the Company, the Company and its financial instruments will be subject to the provisions of UK MAR and that it will observe the provisions of UK MAR in relation to the Company's financial instruments, including in relation to the control of any inside information;
- 10.1.17 if in the United Kingdom, it has complied with its obligations under the Criminal Justice Act 1993, FSMA, UK MAR and, in connection with money laundering and terrorist financing, under the Proceeds of Crime Act 2002 (as amended), the Terrorism Act 2000, the Terrorism Act 2006, and the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (the "**Regulations**") and the Money Laundering Sourcebook of the FCA and, if making payment on behalf of a third party, that satisfactory evidence has been obtained and recorded by it to verify the identity of the third party as required by the Regulations;
- 10.1.18 if a financial intermediary, as that term is used in the UK Prospectus Regulation, that the Placing Shares subscribed for by it in the Placing will not be subscribed for on a non-discretionary basis on behalf of, nor will they be subscribed for with a view to their offer or resale to, persons in the United Kingdom other than Qualified Investors, or in circumstances in which the prior consent of N+1 Singer has been given to the proposed offer or resale;
- 10.1.19 it and any person acting on its behalf falls within Article 19(5) and/or 49(2)(a) to (d) of the Order and undertakes that it will acquire, hold, manage and (if applicable) dispose of any Placing Shares that are allocated to it for the purposes of its business only;
- 10.1.20 it has not offered or sold and will not offer or sell any Placing Shares to the public in the United Kingdom or any member state of the EEA except to Qualified Investors or otherwise in circumstances which have not resulted in and which will not result in an offer to the public in the United Kingdom within the meaning of section 85(1) of the FSMA or within the meaning of the UK Prospectus Regulation, or an offer to the public in any member state of the EEA within the meaning of the EU Prospectus Regulation;
- 10.1.21 it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) relating to the Placing Shares in circumstances in which section 21(1) of FSMA does not require approval of the communication by an authorised person;
- 10.1.22 it has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the Placing Shares in, from or otherwise involving, the United Kingdom;
- 10.1.23 if in a member state of the EEA, it is a "Qualified Investor" within the meaning of the EU Prospectus Regulation;
- 10.1.24 if in the United Kingdom, it is a qualified investor within the meaning of the UK Prospectus Regulation and a person (i) having professional experience in matters relating to investments and who falls within the definition of 'investment professionals' in Article 19(5) of the Order; or (ii) who is a high net worth entity falling within Article 49(2)(a) to (d) of the Order; or (iii) to whom this Document may otherwise lawfully be communicated;
- 10.1.25 no action has been or will be taken by either the Company or N+1 Singer or any person acting on behalf of the Company or N+1 Singer that would, or is intended to, permit a

public offer of the Placing Shares in any country or jurisdiction where any such action for that purpose is required;

- 10.1.26 (i) it and any person acting on its behalf is entitled to subscribe for the Placing Shares under the laws of all relevant jurisdictions which apply to it; (ii) it has paid any issue, transfer or other taxes due in connection with its participation in any territory; (iii) it has fully observed such laws and obtained all such governmental and other guarantees, permits, authorisations, approvals and consents which may be required thereunder and complied with all necessary formalities and that it has not taken any action or omitted to take any action which will or may result in N+1 Singer, the Company or any of their respective affiliates, directors, officers, agents, employees or advisers acting in breach of the legal or regulatory requirements of any jurisdiction in connection with the Placing; and (iv) that the acquisition of the Placing Shares by it or any person acting on its behalf will be in compliance with applicable laws and regulations in the jurisdiction of its residence, the residence of the Company, or otherwise;
- 10.1.27 it has all necessary capacity and has obtained all necessary consents and authorities to enable it to commit to its participation in the Placing and to perform its obligations in relation thereto (including, without limitation, in the case of any person on whose behalf it is acting, all necessary consents and authorities to agree to the terms set out or referred to in this Document) and will honour such obligations;
- 10.1.28 it (and any person acting on its behalf) will make payment for the Placing Shares allocated to it in accordance with the Terms and Conditions and this Document, on the due time and date set out herein, failing which the relevant Placing Shares may be placed with other persons or sold as N+1 Singer may in its absolute discretion determine and without liability to such Placee;
- 10.1.29 its allocation (if any) of Placing Shares will represent a maximum number of Placing Shares which it will be entitled, and required, to subscribe for or purchase, and that N+1 Singer or the Company may call upon it to subscribe for or purchase a lower number of Placing Shares (if any), but in no event in aggregate more than the aforementioned maximum;
- 10.1.30 neither it, nor the person specified by it for registration as holder of Placing Shares is, or is acting as nominee or agent for, and the Placing Shares will not be allotted or transferred to, a person who is or may be liable to stamp duty or stamp duty reserve tax under any of sections 67, 70, 93 and 96 of the Finance Act of 1986 (depository receipts and clearance services) and the Placing Shares are not being acquired in connection with arrangements to issue depository receipts or to issue or transfer Placing Shares into a clearance system;
- 10.1.31 neither the Company nor N+1 Singer nor the Nomad nor any Selling Shareholder will be responsible for any liability to stamp duty or stamp duty reserve tax or other similar taxes resulting from a failure to observe the requirement in paragraph 10.1.30 above. Each Placee and any person acting on behalf of such Placee agrees to indemnify on an after-tax basis and hold harmless the Company, N+1 Singer, the Nomad and the Selling Shareholders and their respective affiliates, agents, directors, officers and employees in respect of any such liability and each Placee and any person acting on behalf of such Placee agrees that, on Admission becoming effective, the Placing Shares will be allotted or transferred to the Stock Account of N+1 Singer who will hold them as nominee on behalf of such Placee until settlement in accordance with its standing settlement instructions;
- 10.1.32 neither N+1 Singer nor the Nomad nor any of their respective affiliates, agents, directors, officers or employees nor any person acting on behalf of any of them, is making any recommendations to it or advising it regarding the suitability of any transactions it may enter into in connection with the Placing and that participation in the Placing is on the basis that it is not and will not be a client of N+1 Singer or the Nomad and that neither N+1 Singer nor the Nomad has any duties or responsibilities to it for providing the protections afforded to N+1 Singer's or the Nomad's clients or customers or for providing advice in relation to the Placing nor in respect of any representations, warranties, undertakings or indemnities contained in the Placing Agreement nor for the exercise or performance of any of its rights and obligations thereunder including any rights to waive or vary any conditions or exercise any termination right;

- 10.1.33 in making any decision to subscribe for the Placing Shares, it has knowledge and experience in financial, business and international investment matters as is required to evaluate the merits and risks of subscribing for and/or acquiring the Placing Shares. It further confirms that it is experienced in investing in securities of this nature in this sector and is aware that it may be required to bear, and is able to bear, the economic risk of participating in, and is able to sustain a complete loss in connection with, the Placing. It further confirms that it relied on its own examination and due diligence of the Company and its associates taken as a whole, and the terms of the Placing, including the merits and risks involved, and not upon any view expressed or information provided by or on behalf of N+1 Singer or the Nomad;
- 10.1.34 in connection with the Placing, N+1 Singer and any of its affiliates acting as investors for their own account may take up Placing Shares in the Company and in that capacity may subscribe for, retain, purchase or sell for their own account such Ordinary Shares in the Company and any securities of the Company or related investments and may offer or sell such securities or other investments otherwise than in connection with the Placing. N+1 Singer does not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so;
- 10.1.35 these Terms and Conditions and any agreements entered into by it pursuant to these Terms and Conditions and any non-contractual obligations arising out of or in connection with such agreements shall be governed by and construed in accordance with the laws of England and Wales and it submits (on behalf of itself and on behalf of any person on whose behalf it is acting) to the exclusive jurisdiction of the English courts as regards any claim, dispute or matter arising out of any such contract, except that enforcement proceedings in respect of the obligation to make payment for the Placing Shares (together with any interest chargeable thereon) may be taken by the Company or N+1 Singer in any jurisdiction in which the relevant Placee is incorporated or in which any of its securities have a quotation on a recognised stock exchange;
- 10.1.36 the Company, N+1 Singer, the Nomad and their respective affiliates and others will rely upon the truth and accuracy of acknowledgements, representations, warranties and agreements set forth herein and which are given to each of the Nomad and N+1 Singer on its own behalf and on behalf of the Company and are irrevocable and it irrevocably authorises the Company and N+1 Singer and the Nomad to produce any announcement, pursuant to, in connection with, or as may be required by any applicable law or regulation, administrative or legal proceeding or official inquiry with respect to the matters set forth herein. It agrees that if any of the acknowledgements, representations, warranties and agreements made in connection with its subscribing and/or acquiring of Placing Shares is no longer accurate, it shall promptly notify the Company and N+1 Singer and the Nomad;
- 10.1.37 it will indemnify on an after-tax basis and hold the Company, N+1 Singer, the Nomad, the Selling Shareholders, and their respective affiliates harmless 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 and further agrees that the provisions of these Terms and Conditions shall survive after completion of the Placing;
- 10.1.38 It undertakes to N+1 Singer at the time of making its commitment to acquire Placing Shares that it will confirm in writing to N+1 Singer in the form of confirmation sent by N+1 Singer to Placees the number of Placing Shares it intends to acquire;
- 10.1.39 neither the Company nor the Nomad nor N+1 Singer owe any fiduciary or other duties to any Placee in respect of any acknowledgements, confirmations, undertakings, representations, warranties or indemnities in the Placing Agreement;
- 10.1.40 its acquisition of Placing Shares is in full compliance with applicable laws and regulations; and
- 10.1.41 its commitment to take up Placing Shares on the Terms and Conditions will continue notwithstanding any amendment that may or in the future be made to these Terms and Conditions of the Placing and that Placees will have no right to be consulted or require that their consent be obtained with respect to the Company or N+1 Singer's conduct of the Placing.

- 10.2 The foregoing acknowledgements, confirmations, undertakings, representations and warranties are given for the benefit of each of the Company, the Nomad and N+1 Singer (for their own benefit and, where relevant, the benefit of their respective affiliates and any person acting on their behalf) and are irrevocable.
- 10.3 Please also note that the agreement to allot and issue or transfer Placing Shares to Placees (or the persons for whom Placees are contracting as nominee or agent) free of UK stamp duty and stamp duty reserve tax relates only to their allotment and issue or transfer to Placees, or such persons as they nominate as their agents, direct from the Company for the Placing Shares in question and is subject to the representations, warranties and further terms above and assumes and is based on the warranty from each Placee that the Placing Shares are not being subscribed for, or acquired, in connection with arrangements to issue depositary receipts or to issue or transfer the Placing Shares into a clearance service. If there are any such arrangements, or the settlement relates to any other dealing in the Placing Shares, stamp duty or stamp duty reserve tax or other similar taxes may be payable, for which neither the Company nor N+1 Singer nor the Selling Shareholders will be responsible and the Placees shall indemnify on an after-tax basis and hold harmless the Company and N+1 Singer and the Selling Shareholders and their respective affiliates, agents, directors, officers and employees for any stamp duty, stamp duty reserve tax or other similar taxes paid by them in respect of any such arrangements or dealings. If this is the case, each Placee should seek its own advice and notify N+1 Singer accordingly.
- 10.4 Neither the Company nor N+1 Singer is liable to bear any capital duty, stamp duty or any other stamp, issue, securities, transfer, registration, documentary or other duties or taxes (including any interest, fines or penalties relating thereto) payable in or outside the United Kingdom by any Placee or any other person on a Placee's acquisition of any Placing Shares or the agreement by a Placee to acquire any Placing Shares. Each Placee agrees to indemnify on an after-tax basis and hold harmless the Company, N+1 Singer and their respective affiliates, agents, directors, officers and employees from any and all such capital duty, stamp duty and other stamp, issue, securities, transfer, registration, documentary or other duties or taxes (including interest, fines or penalties relating thereto).
- 10.5 Each Placee should seek its own advice as to whether any of the above tax liabilities arise and notify N+1 Singer accordingly.
- 10.6 Each Placee and any person acting on behalf of each Placee acknowledges and agrees that N+1 Singer or any of its affiliates may, at their absolute discretion, agree to become a Placee in respect of some or all of the Placing Shares.
- 10.7 When a Placee or person acting on behalf of the Placee is dealing with N+1 Singer, any money held in an account with N+1 Singer on behalf of the Placee and/or any person acting on behalf of the Placee will not be treated as client money within the meaning of the rules and regulations of the FCA made under FSMA. The Placee acknowledges that the money will not be subject to the protections conferred by the client money rules; as a consequence, this money will not be segregated from N+1 Singer's money in accordance with the client money rules and will be used by N+1 Singer in the course of its own business; and the Placee will rank only as a general creditor of N+1 Singer.
- 10.8 Past performance is no guide to future performance and persons needing advice should consult an independent financial adviser.
- 10.9 The rights and remedies of N+1 Singer, the Nomad 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. If a Placee is a discretionary fund manager, he may be asked to disclose, in writing or orally, to N+1 Singer the jurisdiction in which the funds are managed or owned.
- 10.10 All times and dates in this Document may be subject to amendment by N+1 Singer (in its absolute discretion). N+1 Singer shall notify the Placees and any person acting on behalf of the Placees of any changes.
- 10.11 In this Part 5, "after-tax basis" means in relation to any payment made to the Company, N+1 Singer, the Nomad or their respective affiliates, agents, directors, officers and employees pursuant to this

Part 5 that such payment shall be calculated in such a manner as will ensure that, after taking into account: (i) any tax required to be deducted or withheld from the payment; (ii) the amount and timing of any additional tax which becomes payable by the recipient as a result of the payment's being subject to tax in the hands of the recipient of the payment; and (iii) the amount and timing of any tax benefit which is obtained by the recipient of the payment to the extent that such tax benefit is attributable to the matter giving rise to the payment or to the entitlement to, or receipt of, the payment, or to any tax required to be deducted or withheld from the payment, the recipient of the payment is in the same after-tax position as that in which it would have been if the matter giving rise to the payment had not occurred.

PART 6

TERMS AND CONDITIONS OF THE MEMBER'S OFFER

A draft version of this Document was made available to Qualifying Society Members for the purposes of the Member's Offer on and from 19 May 2021, in advance of publication of this Document in its final form. The Member's Offer closed at 6.00 p.m. on 21 May 2021 and any information in this Document relating to the Member's Offer is provided for information only and is historic as of the date of this Document.

1. General

- 1.1 The allotment or transfer of Member's Offer Shares is at the absolute discretion of the Directors in consultation with N+1 Singer and PrimaryBid and is conditional upon, amongst other things, Admission of the Member's Offer Shares occurring by 8.00 a.m. on 4 June 2021 (or such later date, being not later than 30 June 2021, as the Company and N+1 Singer may decide).
- 1.2 Qualifying Society Members must apply for a minimum investment of £100 under the Member's Offer.
- 1.3 Qualifying Society Members who apply for Ordinary Shares under the Member's Offer should note that any such subscription or purchase by them of Ordinary Shares will be made only on the basis of the information contained in the final version of this Document and that applications in the Member's Offer may not be withdrawn by them. In particular, as the Offer Price may not be known until after the latest time for submission of applications, applications in the Member's Offer are required to be based on the amount in pounds sterling that the Qualifying Society Member wishes to invest (and not on the number of Member's Offer Shares they wish to acquire). In the event that the Member's Offer is oversubscribed, applications will be scaled back at the absolute discretion of the Directors in consultation with N+1 Singer and PrimaryBid. Without qualifying such discretion, the Company intends that the Member's Offer shall be scaled back by less than the PrimaryBid Offer in any given circumstance where scaleback applies. No fractional entitlements to Member's Offer Shares will be allocated. Applications in the Member's Offer will be settled on or shortly after Admission.
- 1.4 By making an application for Member's Offer Shares, each Qualifying Society Member who applies for Member's Offer Shares:
 - 1.4.1 offers to subscribe or purchase for the monetary amount stated in the application for such number of Member's Offer Shares (or such lesser amount for which the application is accepted) obtained by dividing the monetary amount by the Offer Price, subject to these terms and conditions of the Member's Offer and the Articles;
 - 1.4.2 represents and agrees that such application will not be revoked;
 - 1.4.3 agrees that, in respect of those Member's Offer Shares for which such Qualifying Society Member's application has been received and is not rejected, acceptance of such application shall be constituted, at the election of the Company, by notification of acceptance thereof to PrimaryBid and the Registrar;
 - 1.4.4 agrees that all applications, acceptances of applications and contracts resulting therefrom under the Member's Offer shall be governed by and construed in accordance with English law, and that such Qualifying Society Member submits to the jurisdiction of the Courts of England and Wales and agrees that nothing shall limit the right of the Company to bring any action, suit or proceedings arising out of or in connection with any such applications, acceptances of applications and contracts in any other manner permitted by law or in any court of competent jurisdiction;
 - 1.4.5 confirms that, in making such application, such Qualifying Society Member is not relying on any information, representation and/or warranty in relation to the Group other than the information contained in this Document and, accordingly, such Qualifying Society Member agrees that no person responsible solely or jointly for this Document or any part thereof or involved in the preparation thereof shall have any liability for any such other information, representation and/or warranty;

- 1.4.6 agrees that, having had the opportunity to read this Document, such Qualifying Society Member shall be deemed to have had notice of all information concerning the Group contained herein including, without limitation, the Risk Factors set out in Part 2;
 - 1.4.7 confirms, represents and warrants that such Qualifying Society Member has read and complied with paragraph 2 of this Part 6;
 - 1.4.8 represents and warrants that such Qualifying Society Member is not a person who, by virtue of being resident in, or a citizen of, any country other than the UK, is prevented by the law of any relevant jurisdiction from lawfully applying for Member's Offer Shares and further warrants that, if the laws of any territory or jurisdiction other than the UK are applicable to its application, that the Qualifying Society Member 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 the Qualifying Society Member's application in any territory and that the Qualifying Society Member has not taken any action or omitted to take any action which will result in the Company, N+1 Singer, the Nomad or PrimaryBid or any of their respective officers, agents or employees acting in breach of the regulatory or legal requirements, directly or indirectly, of any territory or jurisdiction other than the UK in connection with the Member's Offer in respect of the Qualifying Society Member's application;
 - 1.4.9 represents and warrants that they are a Qualifying Society Member;
 - 1.4.10 represents and warrants that such Qualifying Society Member is not under the age of 18;
 - 1.4.11 represents and warrants that:
 - (a) such Qualifying Society Member is not, nor is such Qualifying Society Member applying on behalf of any person who is, located in, or a citizen or resident of, or a corporation, partnership or other entity created or organised in or under any laws of, the US;
 - (b) such Qualifying Society Member is not applying on a non-discretionary basis for a person who is located, a citizen or resident, or which is a corporation, partnership or other entity created or organised, in or under any laws of the US at the time the instruction to apply was given;
 - 1.4.12 agrees that such Qualifying Society Member is not applying on behalf of a person engaged in money laundering;
 - 1.4.13 agrees that any application may be rejected in whole or in part at the sole discretion of the Company; and
 - 1.4.14 irrevocably authorises the Company or the Registrar or any other person authorised by any of them, as the Qualifying Society Member's agent, to do all things necessary to effect registration of any Member's Offer Shares subscribed or purchased by or issued or transferred to the Qualifying Society Member into the Qualifying Society Member's name and authorises any representatives of the Company and/or the Registrar to execute any documents required therefor and to enter the Qualifying Society Member's name on the register of members of the Company.
- 1.5 If the Member's Offer does not become unconditional, no Member's Offer Shares will be issued or transferred.

2. United States

- 2.1 The Member's Offer Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the US and may not be offered or sold, re-sold, taken up, transferred, delivered or distributed, directly or indirectly, into or in the US absent registration under the Securities Act or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the US.
- 2.2 The Company is not extending the Member's Offer into the US and this Document does not constitute an offer or an invitation to apply for or an offer or an invitation to acquire any Ordinary Shares in the US or to any US person (as defined below). This Document will not be sent to, and no Member's Offer

Shares will be credited to a stock account in CREST of any person with a registered address in the US. The Ordinary Shares are being offered and sold to persons who are not “US persons” in offshore transactions, each within the meaning of, and in reliance on, Regulation S under the Securities Act, or otherwise in transactions that are exempt from the registration requirements of the Securities Act and other applicable US state securities laws.

- 2.3 Any person who acquires Member’s Offer Shares will be deemed to have declared, warranted and agreed, by accepting delivery of this Document and delivery of the Member’s Offer Shares, that they are not, and that at the time of acquiring the Member’s Offer Shares they will not be, US persons or in the US or acting on a non-discretionary basis on behalf of, or for the account or benefit of, a person in the US or any state, territory or possession of the US.

3. ASC Nominee Service

Ordinary Shares acquired in the Member’s Offer may, if the applicant so elects in their application, be held in the ASC Nominee Service. The ASC Nominee Service is a Company-sponsored nominee arrangement (the terms and conditions of which will be available for review on the PrimaryBid platform) pursuant to which Ordinary Shares will be held electronically within the CREST system (on behalf of those Shareholders who elect to use the service) in the name of Link Market Services Trustees Limited or its nominee. The charges and costs of the ASC Nominee Service will be available for review on the PrimaryBid platform, and thereafter from the Registrar.

4. Miscellaneous

- 4.1 To the extent permitted by law, all representations, warranties and conditions, express or implied and whether statutory or otherwise made or given to any Qualifying Society Member (including, without limitation, pre-contractual representations but excluding any fraudulent representations), are expressly excluded in relation to the Member’s Offer Shares and the Member’s Offer.
- 4.2 The rights and remedies of the Company, PrimaryBid and the Registrar under these terms and conditions contained in this Part 6 are in addition to any rights and remedies which would otherwise be available to any of them and the exercise or partial exercise of one will not prevent the exercise of others.
- 4.3 The Company may terminate the Member’s Offer in its absolute discretion at any time prior to Admission. If such right is exercised, the Member’s Offer will lapse and any monies will be returned as indicated without interest.
- 4.4 Save where the context requires otherwise, terms used in this Part 6 bear the same meaning as where used elsewhere in this Document.

PART 7

TERMS AND CONDITIONS OF THE PRIMARYBID OFFER

A draft version of this Document was made available to the UK retail clients of PrimaryBid for the purposes of the PrimaryBid Offer on and from 19 May 2021, in advance of publication of this Document in its final form. The PrimaryBid Offer closed at 6.00 p.m. on 21 May 2021 and any information in this Document relating to the PrimaryBid Offer is provided for information only and is historic as of the date of this Document.

1. General

- 1.1 The allotment or transfer of PrimaryBid Offer Shares is at the absolute discretion of the Directors in consultation with N+1 Singer and PrimaryBid and is conditional upon, amongst other things, Admission of the PrimaryBid Offer Shares occurring by 8.00 a.m. on 4 June 2021 (or such later date, being not later than 30 June 2021, as the Company and N+1 Singer may decide).
- 1.2 Applicants must apply for a minimum investment of £100 under the PrimaryBid Offer.
- 1.3 UK retail clients of PrimaryBid who apply for Ordinary Shares under the PrimaryBid Offer should note that any such subscription or purchase by them of Ordinary Shares will be made only on the basis of the information contained in the final version of this Document and that applications in the PrimaryBid Offer may not be withdrawn by them. In particular, as the Offer Price may not be known until after the latest time for submission of applications, applications in the PrimaryBid Offer are required to be based on the amount in pounds sterling that the applicant wishes to invest (and not on the number of PrimaryBid Offer Shares they wish to acquire). In the event that the PrimaryBid Offer is oversubscribed, applications will be scaled back at the absolute discretion of the Directors in consultation with N+1 Singer and PrimaryBid. Without qualifying such discretion, the Company intends that the Member's Offer shall be scaled back by less than the PrimaryBid Offer in any given circumstance where scaleback applies. No fractional entitlements to PrimaryBid Offer Shares will be allocated. Applications in the PrimaryBid Offer will be settled on or shortly after Admission.
- 1.4 By making an application for PrimaryBid Offer Shares, each applicant who applies for PrimaryBid Offer Shares:
 - 1.4.1 offers to subscribe or purchase for the monetary amount stated in the application for such number of PrimaryBid Offer Shares (or such lesser amount for which the application is accepted) obtained by dividing the monetary amount by the Offer Price, subject to these terms and conditions of the PrimaryBid Offer and the Articles;
 - 1.4.2 represents and agrees that such application will not be revoked;
 - 1.4.3 agrees that, in respect of those PrimaryBid Offer Shares for which the application has been received and is not rejected, acceptance of such application shall be constituted, at the election of the Company, by notification of acceptance thereof to PrimaryBid and the Registrar;
 - 1.4.4 agrees that all applications, acceptances of applications and contracts resulting therefrom under the PrimaryBid Offer shall be governed by and construed in accordance with English law, and that such applicant submits to the jurisdiction of the Courts of England and Wales and agrees that nothing shall limit the right of the Company to bring any action, suit or proceedings arising out of or in connection with any such applications, acceptances of applications and contracts in any other manner permitted by law or in any court of competent jurisdiction;
 - 1.4.5 confirms that, in making such application, such applicant is not relying on any information, representation and/or warranty in relation to the Group other than the information contained in this Document and, accordingly, such applicant agrees that no person responsible solely or jointly for this Document or any part thereof or involved in the preparation thereof shall have any liability for any such other information, representation and/or warranty;

- 1.4.6 agrees that, having had the opportunity to read this Document, such applicant shall be deemed to have had notice of all information concerning the Group contained herein including, without limitation, the Risk Factors set out in Part 2;
 - 1.4.7 confirms, represents and warrants that such applicant has read and complied with paragraph 2 of this Part 7;
 - 1.4.8 represents and warrants that such applicant is not a person who, by virtue of being resident in, or a citizen of, any country other than the UK, is prevented by the law of any relevant jurisdiction from lawfully applying for PrimaryBid Offer Shares and further warrants that, if the laws of any territory or jurisdiction other than the UK are applicable to its application, that the applicant 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 the application in any territory and that the applicant has not taken any action or omitted to take any action which will result in the Company, N+1 Singer, the Nomad or PrimaryBid or any of their respective officers, agents or employees acting in breach of the regulatory or legal requirements, directly or indirectly, of any territory or jurisdiction other than the UK in connection with the PrimaryBid Offer in respect of the application;
 - 1.4.9 represents and warrants that such applicant is not under the age of 18;
 - 1.4.10 represents and warrants that:
 - (a) such applicant is not, nor is such applicant applying on behalf of any person who is, located in, or a citizen or resident of, or a corporation, partnership or other entity created or organised in or under any laws of, the US;
 - (b) such applicant is not applying on a non-discretionary basis for a person who is located, a citizen or resident, or which is a corporation, partnership or other entity created or organised, in or under any laws of the US at the time the instruction to apply was given;
 - 1.4.11 agrees that such applicant is not applying on behalf of a person engaged in money laundering;
 - 1.4.12 agrees that any application may be rejected in whole or in part at the sole discretion of the Company; and
 - 1.4.13 irrevocably authorises the Company or the Registrar or any other person authorised by any of them, as the applicant's agent, to do all things necessary to effect registration of any PrimaryBid Offer Shares subscribed or purchased by or issued or transferred to the applicant into the applicant's name and authorises any representatives of the Company and/or the Registrar to execute any documents required therefor and to enter the applicant's name on the register of members of the Company.
- 1.5. If the PrimaryBid Offer does not become unconditional, no PrimaryBid Offer Shares will be issued or transferred.

2. United States

- 2.1 The PrimaryBid Offer Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the US and may not be offered or sold, re-sold, taken up, transferred, delivered or distributed, directly or indirectly, into or in the US absent registration under the Securities Act or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the US.
- 2.2 The Company is not extending the PrimaryBid Offer into the US and this Document does not constitute an offer or an invitation to apply for or an offer or an invitation to acquire any Ordinary Shares in the US or to any US person (as defined below). This Document will not be sent to, and no PrimaryBid Offer Shares will be credited to a stock account in CREST of any person with a registered address in the US. The Ordinary Shares are being offered and sold to persons who are not "US persons" in offshore transactions, each within the meaning of, and in reliance on, Regulation S under the Securities Act, or otherwise in transactions that are exempt from the registration requirements of the Securities Act and other applicable US state securities laws.

- 2.3 Any person who acquires PrimaryBid Offer Shares will be deemed to have declared, warranted and agreed, by accepting delivery of this Document and delivery of the PrimaryBid Offer Shares, that they are not, and that at the time of acquiring the PrimaryBid Offer Shares they will not be, US persons or in the US or acting on a non-discretionary basis on behalf of, or for the account or benefit of, a person in the US or any state, territory or possession of the US.

3. ASC Nominee Service

Ordinary Shares acquired in the PrimaryBid Offer may, if the applicant so elects in their application, be held in the ASC Nominee Service. The ASC Nominee Service is a Company-sponsored nominee arrangement (the terms and conditions of which will be available for review on the PrimaryBid platform) pursuant to which Ordinary Shares will be held electronically within the CREST system (on behalf of those Shareholders who elect to use the service) in the name of Link Market Services Trustees Limited or its nominee. The charges and costs of the ASC Nominee Service will be available for review on the PrimaryBid platform, and thereafter from the Registrar.

4. Miscellaneous

- 4.1 To the extent permitted by law, all representations, warranties and conditions, express or implied and whether statutory or otherwise made or given to any applicant under the PrimaryBid Offer (including, without limitation, pre-contractual representations but excluding any fraudulent representations), are expressly excluded in relation to the PrimaryBid Offer Shares and the PrimaryBid Offer.
- 4.2 The rights and remedies of the Company, PrimaryBid and the Registrar under these terms and conditions contained in this Part 7 are in addition to any rights and remedies which would otherwise be available to any of them and the exercise or partial exercise of one will not prevent the exercise of others.
- 4.3 The Company may terminate the PrimaryBid Offer in its absolute discretion at any time prior to Admission. If such right is exercised, the PrimaryBid Offer will lapse and any monies will be returned as indicated without interest.
- 4.4 Save where the context requires otherwise, terms used in this Part 7 bear the same meaning as where used elsewhere in this Document.

