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**Please read the whole of this document and, in particular, the risk factors set out in Part II (Risk Factors) of this document.**

If you have sold or otherwise transferred all of your Ordinary Shares, please send this document, together with the accompanying Form of Proxy, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee.

The release, publication or distribution of this document and/or the Form of Proxy in certain jurisdictions may be restricted by law and therefore persons who are not resident in the United Kingdom into whose possession these documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. To the fullest extent permitted by applicable law, those persons responsible for these documents disclaim any responsibility or liability for the violation of such requirements by any person. The contents of this document should not be construed as legal, business or tax advice.

This document contains no offer of transferable securities to the public within the meaning of section 102B of the FSMA, the Companies Act or otherwise. Accordingly, this document does not constitute a prospectus within the meaning of section 85 of the FSMA, nor does it constitute or form part of any offer or invitation to purchase, acquire, subscribe for, sell, dispose of or issue, or any solicitation of any of the same, for any security.



## **CONNECT GROUP PLC**

**Proposed Disposal of The Big Green Parcel Holding Company Limited  
and its subsidiaries, which principally trade as 'Tuffnells'**

**and**

**Notice of General Meeting**

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**This document should be read as a whole. Your attention is drawn to the letter from your Chairman which is set out on pages 9 to 21 of this document and which contains the recommendation from your Board to vote in favour of the resolution.**

The Notice of General Meeting of the Company to be held at 10.00 a.m. on 1 May 2020 at Rowan House, Cherry Orchard, North Kembrey Park, Swindon, SN2 8UH is set out at the end of this document. A Form of Proxy for use at this General Meeting is enclosed.

You are asked to complete and return the enclosed Form of Proxy in accordance with the instructions printed on it to the Registrar at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, as soon as possible and, in any event, so as to be received by no later than 10.00 a.m. on 29 April 2020 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting).

If you hold your Ordinary Shares in CREST, and you wish to appoint a proxy through the CREST electronic proxy appointment service, you may do so by completing and transmitting a CREST Proxy Instruction to the Registrar (CREST participant ID RA19) or by logging onto [www.euroclear.com](http://www.euroclear.com) and following the instructions. In order for a proxy appointment or instruction made using the CREST service to be valid, it must be transmitted so as to be received not later than 10.00 a.m. on 29 April 2020 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting).

The completion and return of a Form of Proxy or any CREST Proxy Instruction alone will not prevent you from attending the General Meeting and voting in person should you so wish and be so entitled and legally able. However please see the COVID-19 update below.

**A summary of action to be taken by Shareholders is set out on page 18 of this document and in the Notice of General Meeting set out in Part VIII of this document.**

#### **COVID-19 Update**

In light of the Government's directive limiting gatherings to no more than two persons, it has become necessary to restrict physical participation at the General Meeting in line with our Articles of Association and current guidance and legislation.

The General Meeting will be kept as concise and efficient as possible and physical attendance will be limited to the minimum number of persons to ensure the meeting is quorate and to conduct the business of the meeting. Shareholders will still be able to ask questions by email ahead of the meeting and may have limited participation at the meeting itself through an ability to listen to proceedings via a (mute only) conference telephone facility (see below).

As such, we invite shareholders to:

1. submit any questions in advance of the General Meeting. Any specific questions on the business of the General Meeting and Resolution can be submitted ahead of the General Meeting by e-mail to [Investor.Relations@connectgroupplc.com](mailto:Investor.Relations@connectgroupplc.com) (marked for the attention of the Company Secretary). We will publish these questions (other than any questions which the Directors consider to be frivolous or vexatious) and answers on our website in the lead up to, and after, the meeting.
2. participate remotely in the General Meeting, if desired, via a (mute only) conference telephone facility, details of which will be provided in advance of the meeting. Shareholders wishing to attend should register their interest with the Company beforehand via the following email address: [Investor.Relations@connectgroupplc.com](mailto:Investor.Relations@connectgroupplc.com). Information and instructions detailing how shareholders may dial in to the General Meeting will also be made available on the Company website closer to the date of the General Meeting at [www.connectgroupplc.com/investors](http://www.connectgroupplc.com/investors).

Shareholders who wish to vote are strongly encouraged to submit their votes by proxy as soon as possible and, in any event, **by no later than 10.00 a.m. on Wednesday 29 April 2020**. Details of how to appoint a proxy are set out in the guidance notes to this document. Given the limitations on physical participation, we recommend shareholders appoint the Chairman of the meeting as their proxy, as physical attendance at the meeting by others will be restricted in line with our Articles of Association and current guidance and legislation.

**In the event that our General Meeting arrangements change, the Company will issue a further communication via a Regulatory Information Service. As such, we strongly recommend shareholders monitor such communications, which can also be found on our website at: [www.connectgroupplc.com/investors/regulatory-news](http://www.connectgroupplc.com/investors/regulatory-news).**

Capitalised terms have the meaning ascribed to them in Part VII (Definitions) of this document.

In this document and the Form of Proxy, except where the context otherwise requires:

- (a) references to “£”, “GBP”, “pounds”, “pounds sterling”, “sterling”, “p”, “penny” and “pence” are to the lawful currency of the United Kingdom;
- (b) all times referred to are, unless otherwise stated, references to London time;
- (c) all references to legislation are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation or regulation shall include any amendment, modification, re-enactment or extension thereof; and
- (d) words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

This document is dated 15 April 2020.

## IMPORTANT NOTICES

### **Role of Berenberg**

Berenberg, which is authorised and regulated by the German Federal Financial Supervisory Authority and subject to limited regulation in the United Kingdom by the FCA, is acting solely for the Company and for no one else in relation to the Proposed Transaction, and will not be responsible to anyone other than the Company for providing the protections afforded to the clients of Berenberg or for providing advice in relation to the Proposed Transaction, the contents of this document or any other matters described in this document.

Apart from the responsibilities and liabilities, if any, which may be imposed upon Berenberg by FSMA or the regulatory regime established thereunder, Berenberg does not accept any responsibility whatsoever or make any representation or warranty, express or implied, concerning the contents of this document, including as to its accuracy, completeness or verification, or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company or the Proposed Transaction, and nothing in this document is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or future. Berenberg accordingly disclaims, to the fullest extent permitted by law, all and any responsibility and liability whether arising in tort, contract or otherwise (save as referred to herein) which it might otherwise have in respect of this document or any such statement.

### **Forward-looking statements**

Certain statements contained in this document, constitute or may be deemed to be “forward looking statements”. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “projects”, “would”, “aims”, “plans”, “predicts”, “prepares”, “anticipates”, “expects”, “intends”, “may”, “will” or “should” or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. Shareholders should specifically consider the factors identified in this document, which could cause actual results to differ before making an investment decision. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company, the Group and/or the Continuing Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group’s present and future business strategies and the environment in which the Company, the Group and/or the Continuing Group will operate in the future. Such risks, uncertainties and other factors are set out more fully in Part II (Risk Factors) of this document. These forward-looking statements speak only as at the date of this document. Except as required by the FCA, the London Stock Exchange or applicable law (including as may be required by the Listing Rules or the Disclosure Guidance and Transparency Rules), the Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this document to reflect any change in the Company’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

The statements above relating to forward-looking statements should not be construed as a qualification on the opinion of the Company as to working capital set out in paragraph 11 of Part VI (Additional Information) of this document.

### **No profit forecast or estimate**

No statement in this document is intended as a profit forecast or estimate for any period and no statement in this document should be interpreted to mean that earnings, earnings per share or income (for the Company, the Tuffnells Group or the Continuing Group) for the current or future

financial years would necessarily match or exceed the historical published earnings or earnings per share for the Company, the Tuffnells Group or the Continuing Group, as appropriate.

### **Rounding**

Certain data in this document, including financial, statistical and operational information has been rounded. As a result of the rounding, the totals of data presented in this document may vary slightly from the actual arithmetical totals of such data. Percentages in tables have been rounded and, accordingly, may not add up to 100 per cent.

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

Where information contained in this document originates from a third party source, it is identified where it appears in this document together with the name of its source. Such third party information has been accurately reproduced and, so far as the Company is aware and is able to ascertain from information published by the relevant third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

### **Shareholder helpline**

If you have any questions about this document, the General Meeting or the Resolution, or are in any doubt as to how to complete the Form of Proxy or appoint a proxy through the CREST electronic proxy appointment service, please call the Registrar on 0371 384 2771 (from within the UK) or on +44 (0)121 415 7565 (if calling from outside the UK). Calls from outside the UK will be charged at the applicable international rate. The helpline is open from 8.30 a.m. to 5.30 p.m. (London time) Monday to Friday (excluding public holidays in England and Wales). Please note that calls may be monitored or recorded and the Registrar cannot provide financial, legal or tax advice or advice on the merits of the Proposed Transaction.

### **No incorporation of website information**

The contents of the Company's website or any hyperlinks accessible from the Company's website (other than website(s) where information is expressly incorporated by reference in this document as set out in paragraph 13 of Part VI (Additional Information) of this document and the documents on display on the Company's website as set out in paragraph 14 of Part VI (Additional Information) of this document) do not form part of this document and Shareholders should not rely on them.

## CONTENTS

	<i>Page</i>
PART I LETTER FROM THE CHAIRMAN.....	9
PART II RISK FACTORS .....	22
PART III HISTORICAL FINANCIAL INFORMATION RELATING TO THE TUFFNELLS GROUP .....	26
PART IV UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE CONTINUING GROUP .....	29
PART V SUMMARY OF THE PRINCIPAL TERMS AND CONDITIONS OF THE PROPOSED TRANSACTION DOCUMENTS .....	34
PART VI ADDITIONAL INFORMATION .....	39
PART VII DEFINITIONS .....	51
PART VIII NOTICE OF GENERAL MEETING .....	55

## EXPECTED TIMETABLE OF EVENTS

Announcement of the Proposed Transaction	15 April 2020
Publication and posting of this document, the Notice of General Meeting and the Forms of Proxy	15 April 2020
Latest time and date for receipt of Forms of Proxy from Shareholders	10.00 a.m. on 29 April 2020 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting)
General Meeting	10.00 a.m. on 1 May 2020
Expected date of Completion of the Proposed Transaction	On or before 2 May 2020

*Note: The timetable may be subject to change. If any of the above times and/or dates should change, the new times and/or dates will be notified to the FCA and announced to Shareholders through a Regulatory Information Service.*

## **DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS**

<b>Directors</b>	Gary Kennedy ( <i>Chairman</i> ) Jonathan Bunting ( <i>Interim Chief Executive Officer</i> ) Anthony Grace ( <i>Chief Financial Officer</i> ) Mark Whiteling ( <i>Senior Independent Non-Executive Director</i> ) Denise Collis ( <i>Independent Non-Executive Director</i> ) Michael Holt ( <i>Independent Non-Executive Director</i> )
<b>Company Secretary</b>	Stuart Marriner
<b>Registered and Head Office</b>	Rowan House Cherry Orchard North Kembrey Park Swindon SN2 8UH
<b>Sponsor and financial adviser to the Company</b>	Joh. Berenberg, Gossler & Co. KG, London Branch 60 Threadneedle Street London EC2R 8HP
<b>Legal adviser to the Company</b>	Herbert Smith Freehills LLP Exchange House Primrose Street London EC2A 2EG
<b>Reporting Accountants to the Company</b>	RSM Corporate Finance LLP 25 Farringdon Street London EC4A 4AB
<b>Registrar</b>	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA



## PART I

### LETTER FROM THE CHAIRMAN



*Incorporated and registered in England and Wales with company number 05195191 whose registered office is at Rowan House, Cherry Orchard North, Kembrey Park, Swindon, United Kingdom, SN2 8UH*

*To: Shareholders and, for information only, Connect Group PLC optionholders*

15 April 2020

Dear Shareholder,

#### **Proposed Sale of Tuffnells Group and Notice of General Meeting**

##### **Introduction**

On 15 April 2020, the Board announced that Smiths News Holdings Limited, a wholly owned subsidiary of the Company, had conditionally agreed to sell the Tuffnells Group to Palm Bidco Limited (a recently incorporated special purpose vehicle backed by investors brought together by the specialist restructuring advisory firm Broad Oak Support Services LLP) through an agreement for Palm Bidco Limited to acquire the entire issued share capital of The Big Green Parcel Holding Company Limited.

I am writing to give you further details of the Proposed Transaction, including the background to and reasons for it, to explain why the Board considers it to be in the best interests of the Company and Shareholders as a whole and to convene a General Meeting to seek your approval of the Proposed Transaction.

I also set out below details of the Group's Proposed Refinancing and the working capital position of the Group and the importance of such considerations in the context of the exercise of your voting rights in relation to the Proposed Transaction.

Due to the size of the Proposed Transaction relative to the size of the Company, it constitutes a Class 1 transaction pursuant to the Listing Rules. Accordingly, the Proposed Transaction is conditional upon the approval of Shareholders in order to proceed. For the purposes of seeking your approval, a notice convening the General Meeting, which is to be held at 10.00 a.m. on 1 May 2020, is set out in Part VIII (Notice of General Meeting) of this document.

##### **Background to and reasons for the Proposed Transaction**

###### *Background*

The Group acquired the Tuffnells Group in December 2014 at a time when the Group's stated strategy was to diversify into new specialist distribution markets. In 2017, the Board sought to divest non-core assets and to explore the integration of the Group's newspaper and magazine wholesaler business, Smiths News, with the Tuffnells Group. Integrating Smiths News and the Tuffnells Group ultimately proved unsuccessful, supporting the Board's view that opportunities for synergies were limited between what are two distinct operating models. Accordingly, in Autumn 2018, the Group halted its integration plans and returned both Smiths News and the Tuffnells Group to a structure of separate business units each with dedicated management teams but supported by a suite of shared services.

Whilst the return to separate, focused business units has contributed to improving the performance of Smiths News, the performance of the Tuffnells Group has remained severely challenged. The Tuffnells Group made adjusted operating losses of £5.0m in the year to 31 August 2018 and £14.1m in the year to 31 August 2019 respectively and, as a result, the Company impaired the carrying value of the Tuffnells Group on the Group's consolidated balance sheet by £46.1m in 2018 and by a further £45.5m in 2019. Despite some underlying operational improvements, the Tuffnells Group continues to act as a financial drag on the Group's profitability and cash flow and continues to trade at both an operating and a statutory loss.

#### *Strategic review process and findings*

On 6 November 2019, the Board announced a strategic review of the Tuffnells Group business in order to determine its longer term role and future within the Group.

During the review period, alongside actions to improve the efficiency of operations, including the appointment of Michael Holt, an existing non-executive director of the Company and industry specialist, as Executive Chairman of the Tuffnells Group, the Board undertook a careful review of the prospects for the Tuffnells Group's turnaround within the Group's ownership as well as its potential impact on the Group. The review also involved evaluating a number of options in order to assess which would be most likely to maximise value for Shareholders, including:

- continuing to support the on-going Tuffnells Group turnaround under the Group's ownership;
- the potential for and consequences of closing the business; and
- a possible disposal to a third party.

In relation to a possible disposal to a third party, the Board conducted a thorough and competitive sale process and received guidance from its advisers including in relation to the Proposed Transaction. As a result of receiving several competitive offers for the Tuffnells Group and having carefully considered the financial costs and key stakeholder views related to both the possible closure of the Tuffnells Group and the possibility of retaining the business under the Group's ownership, the Board concluded that a disposal of the Tuffnells Group on the terms agreed with the Purchaser is the option that would offer the best opportunity to maximise Shareholder value and would be in the best interests of the Company and Shareholders as a whole, and therefore approved the Proposed Transaction.

#### *Reasons for the Proposed Transaction*

In reaching this decision, the following were key considerations in the view of the Board:

- The Board considers that Group ownership of the Tuffnells Group affords no material synergies to the Tuffnells Group or the Continuing Group's businesses including the Smiths News business;
- Retaining the Tuffnells Group would, in the Board's view, hinder the Group's ability to leverage cost efficiencies in managing its central overheads;
- The Board expects that disposing of the Tuffnells Group would improve the prospects of the Continuing Group refinancing the Facilities on more advantageous terms than would be possible while the Tuffnells Group remains part of the Group (see the Proposed Refinancing section on page 14);
- While a medium-term recovery of the Tuffnells Group could be achieved under the Group's ownership, the Tuffnells Group would be expected, in the meantime, to remain a significant financial drag on overall profit and surplus free cash for the Group during the turnaround of the business and hinder the Board's stated ambition to reduce net debt leverage;
- The characteristics of the Tuffnells Group's business following any turnaround are expected to remain misaligned to the Group's core strengths and strategy;

- A turnaround of the Tuffnells Group is likely to be achievable more swiftly under new ownership with a management that is able to focus solely on the business and its recovery;
- Closure of the business would necessitate making early settlement of many of the Tuffnells Group's liabilities and, in the Board's view, this would not be in the best interests of the Company, its Shareholders or its other stakeholders as compared to the Proposed Transaction;
- Except as provided for in the terms of the Transaction Documents (including in particular the Loan Agreement), the Proposed Transaction will free the Continuing Group of ongoing financial exposure to, and ongoing liabilities in respect of, the Tuffnells Group; and
- The Board believes that Completion of the Proposed Transaction will allow the Continuing Group's executive team to focus relentlessly and without distraction on the market in which its strong position and operational expertise can deliver greatest Shareholder value.

Accordingly, the Board believes that the Proposed Transaction, which is conditional on Shareholder approval, is in the best interests of the Company, will provide certainty for stakeholders, will maximise value for Shareholders and will allow both the Continuing Group and the Tuffnells Group to focus on their respective, independent, futures.

### **Principal terms and conditions of the Proposed Transaction**

Under the terms of the Proposed Transaction, Smiths News Holdings (the Seller) and the Purchaser have entered into the Share Purchase Agreement pursuant to which the Seller has agreed to sell the entire issued share capital of The Big Green Parcel Holding Company Limited to the Purchaser on a debt free, cash free basis at Completion. There is no immediate consideration payable by the Purchaser, but deferred consideration of £15,000,000 (fifteen million pounds) in aggregate in cash is payable by the Purchaser to the Seller in three tranches between 18 months following Completion and the third anniversary of Completion (without satisfaction of any conditions) or sooner if there is an earlier disposal or listing of the Tuffnells Group or change in control of the Purchaser.

In order to facilitate the proposed turnaround of the Tuffnells Group and, in light of the difficulties in obtaining external debt financing at this time due to current market conditions caused by the consequences of the COVID-19 pandemic, the Seller has agreed, as part of the terms of the Proposed Transaction, to make available from Completion a term loan facility of up to £10,500,000 (ten million five hundred thousand pounds) to TPE pursuant to the Loan Agreement. Loans drawn under such facility are repayable in two instalments, with £5,000,000 (five million pounds) repayable on the date falling 18 months from Completion and all other outstanding amounts repayable on the second anniversary of Completion. Each loan drawn under that facility will carry interest at the rate of 10% per annum, payable quarterly in arrears. The performance by TPE of its obligations pursuant to the Loan Agreement are secured pursuant to a Deed of Security over the English properties in which TPE has a freehold interest (including one long leasehold interest) and other rights and assets relating to such properties including plant, machinery, property rights and insurance policies.

The Tuffnells Pension Scheme and the liabilities relating to it will transfer out of the Continuing Group with the Tuffnells Group at Completion under the terms of the Proposed Transaction.

The Share Purchase Agreement contains a locked box mechanism pursuant to which the Seller has agreed to pay the Purchaser on demand for any payments or leakage of value from the Tuffnells Group to the Seller or its related persons, other than agreed permitted leakage, since 31 January 2020, being the locked box date.

Under the Share Purchase Agreement and other Transaction Documents, the Seller has given certain customary warranties and indemnities to the Purchaser.

As part of the Proposed Transaction, the Continuing Group has agreed to provide certain transitional services already being provided by the Continuing Group to the Tuffnells Group for a limited period following Completion pursuant to the terms of the Transitional Services Agreement.

Completion of the Proposed Transaction is conditional upon the passing of the Resolution (whether at the General Meeting or by obtaining sufficient written voting undertakings from Shareholders to the effect that they approve the Proposed Transaction and would vote in favour of the Resolution so as to ensure that the Resolution would be passed at the General Meeting, were it to be held). In the event that Shareholder approval is not obtained or becomes impossible to obtain on or before 31 August 2020 either party may terminate the Share Purchase Agreement. The Share Purchase Agreement does not contain any other conditions or contractual rights for either party to terminate it.

If the Resolution is not passed by Shareholders after a vote is held, or if, as at 5.30 pm on 31 August 2020, no vote has been held on the Resolution and the Company has not obtained sufficient written voting undertakings from Shareholders in favour of the Resolution as referred to above, the Share Purchase Agreement contains an obligation on the Seller to pay the Purchaser £100,000 as compensation for any losses the Purchaser may have suffered in relation to the Proposed Transaction.

The Board expects that, subject to the Resolution being passed, Completion will occur on or before 2 May 2020.

If, following Completion, the Purchaser disposes of a controlling interest in the shares of, or a substantial part of the assets or business of the Tuffnells Group or lists the shares of the Tuffnells Group on a recognised stock exchange, or undergoes a change in control, then:

- if this occurs on or before the date which is 24 months from Completion the Purchaser is required to pay the Seller an amount in cash equal to 50% of the net proceeds resulting from the occurrence of such event; and in addition
- if this occurs on or before the date which is 36 months from Completion all deferred consideration remaining to be paid under the Share Purchase Agreement will immediately be payable by the Purchaser to the Seller in full.

Further details of the Proposed Transaction are set out in Part V (Summary of the Principal Terms and Conditions of the Proposed Transaction Documents) of this document.

### **Role of Michael Holt, Executive Chairman of the Tuffnells Group**

Michael Holt, a current non-executive director of the Company and Executive Chairman of the Tuffnells Group, is expected to continue to have an active role in the supervision or management of the Tuffnells Group following Completion. Further, in addition to a service agreement with the Purchaser or the Tuffnells Group providing for a salary and cash bonus entitlement, it is anticipated that Mr Holt will receive an entitlement, at nominal cost, to 5% of the equity in the Purchaser by way of incentivisation for his future contributions to the business. Certain other members of senior management of the Tuffnells Group are also expected to receive equity in the Purchaser by way of incentivisation for their future contributions aggregating to 25% of the equity in the Purchaser (in addition to the anticipated equity entitlement of Mr Holt).

Mr Holt declared this personal interest in the Proposed Transaction to the Board in line with his statutory duties under the Companies Act and his obligations under the Company's Articles of Association. Following such declaration, the Board determined that, whilst Mr Holt would continue to have responsibility for the contents of this document and participate in discussions to ensure he is aware of his obligations and duties with regards the same, Mr Holt had and will remain subject to a conflict of interest in respect of the Proposed Transaction. In light of this, Mr Holt has not participated in the Board's decision to approve the Proposed Transaction or recommend that shareholders vote in favour of it.

### **Information on the Purchaser**

The Purchaser is a recently incorporated special purpose vehicle, backed by investors brought together by the specialist restructuring advisory firm BOSS to support an extended Tuffnells Group management team which is anticipated to be led by a new CEO Ignacio Garat. Mr Garat has over 20 years' experience in the sector, and has successfully led a number of complex, large-scale transformation programmes for companies including Fedex and TNT Express.

BOSS was founded in 2008 and has undertaken an extensive number of projects in a broad range of sectors. Its partners have acted on behalf of private equity firms, banks, corporate clients and owner-managers, implementing turnaround and restructuring services for public and private businesses in the UK and international markets.

It is expected that Alastair Watson, founding partner of BOSS, will join the TPE board following Completion.

### **Information on the Tuffnells Group**

The Tuffnells Group is a leading UK distributor of mixed freight, specialising in items of irregular dimension and weight (IDW). From a network of 36 depots and a head office in Sheffield it serves approximately 4,000 businesses.

The Big Green Parcel Holding Company Limited is the ultimate holding company of the Tuffnells Group. As at the date of this document, TPE is the only operating entity of the Tuffnells Group with all other entities within the Tuffnells Group not trading.

### **Financial Information on the Tuffnells Group**

For the year ended 31 August 2019, the Tuffnells Group made revenues of £164.4m and an adjusted operating loss of £14.1m and, as at 31 August 2019, had gross assets of £53.6m. Subsequent to this date, the Company announced sale and leaseback transactions of selected freehold and long leasehold properties of the Tuffnells Group on 23 September 2019 and 7 November 2019.

A detailed summary of the trading results of the Tuffnells Group for the three years ended 31 August 2019 and the net asset statement as at 31 August 2019 are set out in Part III (Historical Financial Information Relating to the Tuffnells Group) of this document.

The financial information in this paragraph has been extracted without material adjustment from the financial information contained in Part III (Historical Financial Information Relating to the Tuffnells Group) of this document and the Annual Report 2019.

### **Financial Effects of the Proposed Transaction on the Continuing Group**

The Proposed Transaction is expected to have immediate and tangible benefits to the Group as follows:

- Elimination of the significant on-going financial drag on the Continuing Group's profit (statutory and adjusted) and cash flow as a result of the Tuffnells Group's financial underperformance, including an expected material increase in the Continuing Group's adjusted earnings per share on a pro forma basis and an expected material reduction in net cash outflows following Completion;
- Facilitating the Board's ambition to reduce net debt leverage and to focus on a more prudent and disciplined approach to capital management;
- An anticipated improved ability to refinance the Group's Facilities on more advantageous terms than would be possible whilst the Tuffnells Group remains part of the Group (see the Proposed Refinancing section on page 14);

- Removing the distraction of a turnaround plan that has absorbed management time, energy and resources, which the Board believes are better applied to the future strategy of the Continuing Group; and
- A refocusing of the Group to concentrate on its core strengths and expertise in newspaper and magazine distribution.

Ultimately, when received, the aggregate proceeds of the Proposed Transaction would be used to defray the cost of settling the Tuffnells Group cash overdraft at Completion and the transaction costs, fees and expenses relating to the Proposed Transaction and the excess would be used to reduce net debt. The Continuing Group's existing funds will be utilised to meet these immediate cash requirements. More particular details of the effects of the Proposed Transaction upon the net assets of the Group are set out in Part IV (Unaudited Pro Forma Financial Information of the Continuing Group) of this document.

In the financial year ended 31 August 2019, the Tuffnells Group contributed an adjusted operating loss of £14.1m to the Group and had revenues of £164.4m which represented 11.2 per cent. of aggregate Group revenues in that same period (£1,467.9m).

A small statutory profit is expected to crystallise on completion of the Proposed Transaction.

The financial information in this paragraph has been extracted without material adjustment from the financial information contained in Part III (Historical Financial Information Relating to Tuffnells Group) of this document and the Annual Report 2019.

### **Proposed Refinancing**

As part of the strategic review of the Tuffnells Group announced on 6 November 2019, the Company concluded that it would also be appropriate to enter discussions with its lenders with a view to renewing, or extending the current term of, the Facilities given their expiry on 31 January 2021. External debt advisors have been appointed. Discussions have been held with the Company's existing lenders and a number of alternative refinancing models have been explored, in each case seeking to secure the longer term financing of the Group on commercially acceptable terms.

However, following preliminary negotiations, the Company has not been able to secure refinancing terms it considers commercially acceptable at this time and has decided to defer the refinancing process given the current uncertainty and tightening of the debt markets, including as a result of the onset of the COVID-19 pandemic. The Company expects to re-commence the refinancing process following Completion of the Proposed Transaction (which has been consented to by the requisite majority of the Company's existing lenders) and when the debt markets and general market conditions each settle following their current period of heightened volatility.

The Continuing Group has a profitable and highly cash generative trading history through its principal trading business Smiths News. The Directors remain confident of securing the Proposed Refinancing on commercially acceptable terms and at an adequate level to support the debt requirements of the Continuing Group, which are expected to be lower following Completion of the Proposed Transaction.

### **Information on the Continuing Group**

Following Completion of the Proposed Transaction, the Continuing Group will focus on its core news wholesaling business, seeking to grow Shareholder value with a more cash generative, less capital-intensive and reduced debt leverage business model. The Group's paramount strategic priority will be the delivery of attractive overall returns to Shareholders in parallel with the swift reduction of net debt.

Smiths News is the market leader in UK newspaper and magazine distribution, with a track record of delivering strong financial returns from what are ordinarily resilient and relatively predictable markets. The business has well defined plans to improve service and efficiency over the lifetime of its publisher contracts (under which 80% of its revenues (at current values) are secured until at least 2024) mitigating margin decline and reducing central costs in line with the simplification of the Group structure – it will seek to execute these flawlessly, benefiting all stakeholders in the supply chain and reinforcing its position as the market leader ahead of future renewals.

While the Continuing Group will remain alert to adjacent opportunities, its priority will be focussed on current operations, freed of other distractions. The Board is confident that this focused strategy can maintain attractive total Shareholder returns, strengthen the Company's balance sheet and deliver a reduction in net debt.

### **Current trading and prospects**

In light of the COVID-19 pandemic and the actions being taken around the world to contain it (which have, to date, materially impacted the Group as announced in the Trading Update issued by the Company on 18 March 2020 in relation to the postponement of the UEFA 2020 European Football Championship and the marked softening of demand from the Group's airline and travel supply clients), there is likely to be significant and material uncertainty for the Continuing Group and/or for the Tuffnells Group as the UK enters uncharted waters and as a result of the likely impact of the ongoing macro-economic volatility and uncertainty surrounding global markets.

Following the Trading Update issued by the Company on 18 March 2020, the UK Government announced on 23 March 2020 further restrictions on social movement and the closure of certain retailers, which led to a marked reduction in volumes across both Smiths News and the Tuffnells Group. Having taken actions (including costs controls) to mitigate the impacts of these volume declines, overall performance to the end of March 2020 was in line with the Board's revised adjusted profit before tax expectations. The extent of the impact over time cannot be quantified with any certainty at this stage but the Group continues to monitor the situation and will update the market in due course.

Across the Company's key operations, business continuity plans have been enacted and the Board is immensely proud of the Group's colleagues in working through this difficult period.

#### *Smiths News*

The Smiths News business has a particular social responsibility during this time, being the exclusive supplier of newspapers and magazines to over 24,000 retailers, many of which provide an important lifeline to their communities. The UK Government has designated operational employees in the business as key workers and the Group is strenuously seeking to maintain service while continuing to safeguard the wellbeing of colleagues and customers.

Following the UK Government's introduction of further restrictions on social movement, demand for newspapers and magazines has been adversely impacted by both the restrictions on movement and the temporary closure of approximately 10% of the retailers we supply, including high street and travel outlets. The situation remains fluid with the volume of newspaper sales approximately 20% to 25% lower for the two weeks following the UK Government announcement on 23 March 2020 in comparison to the same period prior to the announcement. The position with magazines, which have longer 'on-sale' periods, cannot be confirmed at this stage. In light of the revenue mix, the impact on net margin is considerably lower and Smiths News is continuing to take appropriate measures to mitigate the impact of the decline in volume on net margin, including the combining of routes and the consolidation of deliveries.

Overnight operations of Smiths News have been impacted by an increase in worker sickness and absence as well as the need for safeguarding procedures in what remains a highly time-sensitive distribution. Further action has been taken to temporarily close the operations and furlough all but

a skeleton level of staff at both the Group's DMD business (which supplies global airlines and travel points) and the Group's InStore field marketing business.

The Group has stress tested the impact of a range of scenarios including a sustained and worsening reduction in sales. However, it is not possible to quantify with any certainty the impact of COVID-19 on Smiths News' full year adjusted profit before tax.

#### *Tuffnells*

Trading in the Tuffnells Group has followed a similar downward trend to Smiths News, with a reduction of approximately 25% to 32% in volumes for the two weeks following the UK Government announcement on 23 March 2020 as compared to the same period prior to the announcement. The Board expects that business-to-consumer deliveries will see some uplift, however the overall position remains uncertain and variable by region.

Employees of the Tuffnells Group have also been designated as key workers for its delivery of certain medical and hygiene supplies, while the wider operations of the Tuffnells Group are helping to free up consignment capacity elsewhere in the market. Despite the efforts of staff, operations have been impacted by a combination of worker sickness and the need for additional safeguarding measures. Actions to mitigate the downward impact on financial performance include the temporary closure of some smaller depots, consolidation of routes, some reasonable compromises to the timing of deliveries and the furloughing of certain employees. The Tuffnells Group business model also allows for flexibility in the use of sub-contracted and agency staff.

#### *Central Support and other cost measures*

Across the Company, home working has been implemented for critical support staff, including finance and HR functions.

Our customer support centre in India has been impacted by local restrictions, however we have made temporary provision for online support and have implemented plans that are providing additional customer services capacity in the UK.

In addition to the actions taken in Smiths News and the Tuffnells Group operations, reductions in capital expenditure, project costs and the suspension of discretionary payments, are in active contemplation.

#### *Furloughing of colleagues*

In light of the reduced sales volumes and increased costs, and in anticipation of the Government's restrictions on social movement continuing for the foreseeable future, the Company has taken action to furlough a significant number of colleagues under the UK Government's Coronavirus Job Retention Scheme across each of the central support functions, Smiths News and the Tuffnells Group. The roles impacted are considered to be non-critical to the safe delivery of our current operational priorities or essential business support.

Having suspended the operations of DMD and InStore, a skeleton staff will maintain essential services while all other colleagues in these ancillary businesses, including senior managers who have not already been redeployed to support core Smiths News operations, have been furloughed.

#### *Liquidity*

The Company has a £175m committed bank facility comprising a £50m term facility and a £125m revolving credit facility. As at 31 March 2020 the Company had available £68m (2019: £43m) of undrawn committed borrowing facilities.

The Company therefore continues to operate within its current banking facilities with sufficient headroom despite the fall in demand and operational impact outlined above.



## *Summary*

Given the rapidly changing market environment, it is not possible currently to quantify with any certainty the impact on full year adjusted profit before tax but the Group continues to monitor the situation and will update the market in due course. The full impact of the COVID-19 pandemic on the Group will depend on a variety of factors including the length of time the restrictions on social movement are in place and the extent to which further measures are required. The Company is nonetheless of the opinion that the operations and business model of Smiths News should be able to accommodate a relatively high degree of variability in demand while remaining profitable and cash generative.

The Company continues to monitor the situation with plans to address a range of scenarios, commensurate with the wellbeing of colleagues and the meeting of its wider social responsibilities.

Longer term, the Board believes that as and when restrictions ease, the operational and market resilience of Smiths News mean it will be well placed to swiftly return to previous levels of service and profitability.

## **Chairman succession**

On a personal note, following the announcement on 31 January 2020 that I intended to step down from the Board on conclusion of the strategic review of the Tuffnells Group, I can confirm that I intend to step down from the Board following completion of the Proposed Transaction at the time the next interim financial results are reported provided my successor has been appointed by that date. A formal search process to identify and appoint my successor is underway and a number of potential candidates have been identified and interviewed.

## **Risk Factors**

For a discussion of the risks and uncertainties which you should take into account when considering whether to vote in favour of the Resolution, please refer to Part II (Risk Factors) of this document.

## **General Meeting and voting undertakings**

You will find set out at the end of this document a Notice of General Meeting convening a General Meeting to be held at Rowan House, Cherry Orchard North, Kembrey Park, Swindon, SN2 8UH at 10.00 a.m. on 1 May 2020.

The Resolution, which will be proposed at the General Meeting as an ordinary resolution, is to approve the Proposed Transaction and to authorise the Directors to take all steps necessary or desirable to complete the Proposed Transaction contemplated by the Share Purchase Agreement. In order for the Resolution to be passed, a simple majority of Shareholders voting at the General Meeting is required.

The full text of the Resolution is included in the Notice of General Meeting, which is set out in Part VIII (Notice of General Meeting) of this document.

The Company is calling the General Meeting on not less than 14 clear days' notice pursuant to the authority granted to it at its Annual General Meeting held on 31 January 2020.

On 8 April 2020, the FCA published a Statement of Policy aimed at assisting companies required to hold general meetings under the Listing Rules. To address the challenges faced by listed companies during the COVID-19 pandemic, the FCA has temporarily modified the Listing Rules with regards to Class 1 transactions and the requirement to hold a general meeting.

Pursuant to these modifications to the Listing Rules, the FCA may grant the Company a dispensation from holding the General Meeting if, prior to the date of the General Meeting, the Company obtains written undertakings from Shareholders holding more than 50% of the

Company's issued share capital confirming that they approve of the Proposed Transaction and would vote in favour of the Resolution at the General Meeting, if that meeting were to be held.

If the Company obtains undertakings from Shareholders holding more than 50% of the Company's issued share capital prior to the date of the General Meeting such that the FCA grants the Company a dispensation from holding the General Meeting, the Company will make a regulatory announcement of this fact, in which case it will be confirmed that the Company will not proceed with the General Meeting and the Proposed Transaction would proceed to Completion shortly after the date of that announcement.

**Shareholders are nevertheless urged to complete and return a form of proxy for the General Meeting as soon as possible** as, for the avoidance of doubt, if sufficient written undertakings are not received from Shareholders prior to the General Meeting, the General Meeting to approve the Proposed Transaction will be held in accordance with the Notice of General Meeting.

### **Action to be taken**

You will find enclosed with this document a Form of Proxy for use in respect of the Resolution to be proposed at the General Meeting. You are requested to complete the Form of Proxy in accordance with the instructions printed on it, and return it as soon as possible, but in any event so as to be received by the Registrar, by hand or by post, at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, not later than 10.00 a.m. on 29 April 2020.

If you hold your Ordinary Shares in CREST, and you wish to appoint a proxy through the CREST electronic proxy appointment service, you may do so by completing and transmitting a CREST Proxy Instruction to the Registrar (CREST participant ID RA19) or by logging onto [www.euroclear.com](http://www.euroclear.com) and following the instructions. In order for a proxy appointment or instruction made using the CREST service to be valid, it must be transmitted so as to be received not later than 10.00 a.m. on 29 April 2020.

The completion and return of a Form of Proxy or any CREST Proxy Instruction alone will not prevent you from attending the General Meeting and voting in person should you so wish and be so entitled and legally able. However please see the COVID-19 update instructions on the Notice of General Meeting.

The result of the vote on the Resolution will be announced to the London Stock Exchange and will appear on the Company's website, [www.connectgroupplc.com](http://www.connectgroupplc.com).

### **Further Information**

You are advised to read the whole of this document and not just rely on the key summarised information in this letter.

### **Irrevocable Voting Undertakings**

Each of Jonathan Bunting, Anthony Grace, Gary Kennedy, Mark Whiteling and Denise Collis, being Directors who own shares in the Company, has irrevocably undertaken to vote in favour of the Resolution in respect of his or her own beneficial shareholding in the Company, which in aggregate amount to 1,001,230 Ordinary Shares representing approximately 0.40 per cent. of the Ordinary Shares in issue at the Latest Practicable Date.

### **Working Capital**

The Company is of the opinion that the Continuing Group does not have sufficient working capital available for its present requirements, that is to say for at least the next 12 months from the date of this document.

As explained in the Proposed Refinancing section on page 14, the Facilities will reach maturity on 31 January 2021 being the date at which a working capital shortfall is anticipated to occur if the

Proposed Refinancing is not agreed before that date. Currently, the Group's existing cash resources alone will not be sufficient to repay the Facilities in full on their maturity date.

Given the historical operational profitability and cash generation of the Continuing Group, the Directors are nonetheless confident of concluding the Proposed Refinancing described above prior to 31 January 2021 when the Facilities expire. Should the Proposed Refinancing not conclude and should alternative financing arrangements fail to materialise, the Board expects that there will be a working capital shortfall from 31 January 2021, that is, within twelve months of the date of this document.

Although it is not possible for the Board, particularly in light of current trading conditions and, specifically, the COVID-19 outbreak and the high levels of market volatility and uncertainty arising therefrom, to determine with absolute certainty the quantum of any forecasted working capital shortfall that may arise on expiry of the Facilities as at 31 January 2021, based on current trading expectations and existing cash resources, the Directors estimate that the total immediate shortfall at that date would be approximately £83.1m.

The Group has been in discussions with debt providers in relation to the Proposed Refinancing but the re-commencement of these discussions is subject to a number of uncertainties, particularly current market conditions relating to the COVID-19 outbreak, as described above.

In particular, the Directors consider it inappropriate at this time to enter new or extended financing arrangements that the Directors do not believe are sufficiently commercial, having regard to all the Group's stakeholders and the current market conditions. Completion of the Proposed Transaction is expected to provide a period of time up to 31 January 2021 for the Continuing Group to engage in further discussions with debt providers, in particular by virtue of the fact that the Proposed Transaction will remove a material financial drag on profitability and cash flow that currently results from the Group's ownership of the Tuffnells Group. The Group expects to conclude discussions on refinancing within the six month period leading up to expiry of the Facilities.

Taking into account the underlying profitability and cash generative nature of the Continuing Group, predominantly comprising Smiths News, which generated adjusted EBITDA of £48.6m and free cash flow of £36.8m in the year ended 31 August 2019, the Board is confident that, following Completion of the Proposed Transaction, the Continuing Group will be in a stronger position from which to negotiate the Proposed Refinancing than would be the case either prior to the Proposed Transaction or were the Resolution not to be passed and the Proposed Transaction not to proceed.

To the extent that the Continuing Group experiences difficulties arranging the Proposed Refinancing or alternative financing prior to the Facilities reaching maturity, such that it can be anticipated that there will be a working capital shortfall, there are a number of options which the Board could consider and which the Continuing Group could seek to take if the Proposed Refinancing has not been achieved, and which the Board would expect to take during the three month period prior to the expiry of the Facilities. However none of these options give the Board reasonable confidence that these alone, without some element of refinancing of the Continuing Group's facilities which is the Company's priority action in this regard, will be capable of addressing such working capital shortfall in the time available, or at all. These include:

- **continuing and extending the current cost reduction exercise, network optimisation initiatives and optimisation of head office functions throughout the business** – following Completion of the Proposed Transaction and building on recent initiatives, the Group proposes to implement a further, extensive cost reduction and efficiency enhancement plan across the Continuing Group. In the event that the Continuing Group needs access to increased working capital, additional, wider-reaching cost reductions could be introduced. However, dependent on the extent of these cost reductions, this could result in an adverse impact on the Continuing Group's business and operations, either temporarily or over the medium term. The Board does not have reasonable confidence that this action alone would be capable of addressing the working capital shortfall in full;

- **disposing of other assets** – the Continuing Group could consider asset disposals including the ancillary businesses within the Continuing Group. However, there can be no assurance that the Continuing Group will be able to dispose of such assets on advantageous terms, or at all, nor does the Board have reasonable confidence that any such disposals would be likely to cover the anticipated working capital shortfall in full;
- **exploring alternative financing** – the Continuing Group could consider alternative means of financing, such as invoice financing, however the Board does not have reasonable confidence that this action alone would be capable of addressing the working capital shortfall in full; and
- **exploring all strategic options for the Continuing Group** – in the event that other measures are proving difficult to implement and/or inadequate to address the anticipated working capital shortfall, the Board may, in the latter stages of the three month period referenced above, explore all strategic options for the Continuing Group including approaching shareholders for an additional injection of cash by way of equity issuance and ultimately, explore a sale of the Group. However, the Board does not have reasonable confidence in their ability to be able to deliver these options as they are dependent on, *inter alia*, prevailing market conditions and the actions of third parties.

In circumstances where the Board has been unsuccessful in negotiating the Proposed Refinancing and none of the above actions have been successful or realised or freed up sufficient cash, a working capital shortfall is expected to arise from 31 January 2021 and the Company and certain other members of the Continuing Group would be unlikely to continue as going concerns in these circumstances. If the Company cannot continue as a going concern, it would likely enter administration or another insolvency process. To the extent that such a decision remains in the Directors' control, the date on which the Directors may conclude that the Company and other members of the Continuing Group are unable to continue as going concerns will depend on, among other things, the Board's assessment of the Company's and its subsidiaries' trading positions at any time and the Company's and its subsidiaries' prospects of discharging their respective liabilities (including repayment of the Facilities on their maturity), but is likely to be on or around 31 January 2021.

### **Importance of Vote**

In order for the Proposed Transaction to be completed, Shareholders need to approve the Resolution.

If the Resolution is not passed, the Proposed Transaction will not proceed and, although no event of default will immediately occur under the Facilities, the Board considers that the Group would be in a materially weaker position to negotiate the Proposed Refinancing or any alternative options on terms that are commercially acceptable to the Group and to Shareholders as it anticipates to be the case if the Resolution is passed and the Proposed Transaction proceeds.

In such circumstances where the Group is unable to secure the Proposed Refinancing, the Group's existing cash resources alone will not be sufficient to repay the Facilities which are due to expire on 31 January 2021 and the Board cannot be certain that, on the facts currently known to the Board, the potential working capital shortfall arising from any requirement to repay the Facilities at or before their maturity date will be capable of being addressed through other means.

Additionally, if the Proposed Transaction does not proceed to Completion, the losses of the Tuffnells Group will put strain on the Group's cash flow position, particularly in light of the actual and potential impacts of the COVID-19 pandemic and notwithstanding the business continuity plans implemented across the Group. Furthermore, the headroom in relation to the Group's covenants under its Facilities will be materially reduced, and under certain scenarios, particularly those impacted by COVID-19, these covenants could be breached as at the next testing date on

31 August 2020 which, if action were taken by the lenders to accelerate the Group's facilities, could result in a working capital shortfall at or before their maturity date.

If the Proposed Refinancing cannot be achieved and other proposed mitigating actions described under the heading Working Capital are unsuccessful, this would be likely to lead to the Company and other members of the Group entering into administration or other insolvency process.

Accordingly, it is important that Shareholders vote in favour of the Resolution, in order that the Proposed Transaction can proceed.

### **Recommendation to Shareholders**

Following its strategic review of the Tuffnells Group business, as detailed above, the Board has reached the conclusion, on the basis of the facts currently available, that the Proposed Transaction represents the most viable means of enabling the Group to move forward and is the option that would offer the best opportunity to maximise Shareholder value and would be in the best interests of the Company and Shareholders as a whole.

The Board has received financial advice from Berenberg in relation to the Proposed Transaction. In providing its advice to the Board, Berenberg has relied upon the Board's commercial assessment of the Proposed Transaction.

**The Board considers the Proposed Transaction to be in the best interests of the Company and its Shareholders as a whole and, accordingly, the Board unanimously recommends that you vote in favour of the Resolution to be proposed.**

Since, on Completion, Michael Holt will continue to have an active role in the supervision or management of the Tuffnells Group and an equity interest in the Purchaser, he has not participated in the Board's decision to approve the Proposed Transaction or recommend that shareholders vote in favour of it.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'G Kennedy', written in a cursive style.

**Gary Kennedy**  
*Chairman*

## PART II

### RISK FACTORS

*Prior to making any decision as to whether to vote in favour of the Resolution, Shareholders should carefully consider all the information contained in this document, including, in particular, the specific risks and uncertainties described in this Part II (Risk Factors) of the document.*

*The risks and uncertainties set out below are those which the Directors believe are the material risks relating to the Proposed Transaction, material new risks to the Company as a result of the Proposed Transaction and/or existing material risks to the Company and the Continuing Group which will be impacted by the Proposed Transaction as required by the Listing Rules.*

*If any, or a combination, of the following risks actually materialise, the business operations, financial condition and future prospects of the Company and the Group (or Continuing Group (as applicable)), could be materially and adversely affected. In such circumstances, the market price of the Ordinary Shares could decline and you may lose all or part of your investment.*

*The risks and uncertainties described below are not intended to be exhaustive and are not the only ones that face the Company or the Group (or Continuing Group (as applicable)). Additional risks and uncertainties not presently known to the Directors or that they currently deem immaterial, may also have an adverse effect on the business operations, financial condition and future prospects of the Company and the Group (or Continuing Group (as applicable)).*

*The information given is as at the date of this document and, except as required by any regulatory requirements or applicable law, will not be updated.*

*The risks are not set out in order of priority.*

#### **1. RISKS RELATING TO THE PROPOSED TRANSACTION NOT COMPLETING**

***The Group will be in a materially weaker financial position and it may be markedly more difficult for the Group to secure the Proposed Refinancing either of which may result in the Group facing a working capital shortfall***

If the Proposed Transaction does not proceed to Completion, the Group may, as a result of the high levels of gearing in the business, the continuing financial drag of the Tuffnells Group on profit and cash flow and/or due to the failure of, or delay in, the Tuffnells Group recovery plan and near-term priorities following the Proposed Transaction not completing, as well as an extended impact from the global measures introduced to combat the COVID-19 pandemic, be in a materially weaker financial position.

If the Proposed Transaction does not proceed to Completion the losses of the Tuffnells Group business will put strain on the Group's cash flow position, particularly in light of the actual and potential impacts of the COVID-19 pandemic and notwithstanding the business continuity plans implemented across the Group. Furthermore, the headroom in relation to the Group's covenants under its Facilities will be materially reduced, and under certain scenarios particularly those impacted by COVID-19, these covenants could be breached as at the next testing date on 31 August 2020 which, if action were taken by the lenders to accelerate the Group's facilities, could result in a working capital shortfall at or before their maturity date.

Further, the Group may be in a materially weaker position to negotiate the Proposed Refinancing or any alternative options on terms that are commercially acceptable to the Group and to Shareholders. Any inability to refinance on comparable terms may adversely affect the Group's capital investment and allocation strategy and may otherwise have a wider material adverse impact on the financial position of the Group and potential returns to Shareholders. If the Group is unable to refinance its existing facilities prior to 31 January 2021, then the Group's existing cash

resources alone will not be sufficient to repay the Facilities which are due to expire on 31 January 2021 and the Company will have a working capital shortfall.

In the above scenarios, the Board cannot be certain that, on the facts currently known to the Board, the potential working capital shortfalls arising, including from any requirement to repay the Facilities at or before their maturity date, will be capable of being addressed through other means. If the Proposed Refinancing cannot be achieved and other proposed mitigating actions are unsuccessful, this would be likely to lead to the Company and other members of the Group entering into administration or other insolvency process.

***The Tuffnells Group may continue to be a financial drag on the Group's financial performance***

The Board believes that the Proposed Transaction is in the best interests of the Company and the Shareholders as a whole. If the Proposed Transaction does not complete, the Group will not benefit from the removal of the financial drag of the Tuffnells Group business, the anticipated costs savings in central overheads resulting from the Proposed Transaction will not be realised and the Group will have incurred transaction related costs (including, potentially, the break fee) which will not be offset by the benefits of the Proposed Transaction completing.

The Company may also continue to need to divert cash flow from other parts of the business to subsidise the Tuffnells Group going forward, which may affect the Company's capital investment and allocation strategy and have an adverse impact on the Group and potential returns to Shareholders.

If the Proposed Transaction does not complete, the Company may also not be able to dispose of the Tuffnells Group at a later date on similar or as favourable terms as those offered pursuant to the Share Purchase Agreement, or at all.

***Disruption resulting from the Proposed Transaction not completing may have a lasting impact on the Tuffnells Group and the Group***

If the Proposed Transaction does not complete, there may be a potentially disruptive effect on management, employees and other stakeholders of the Tuffnells Group due to perceived uncertainty as to the Tuffnells Group's future ownership.

The failure of the Proposed Transaction may also have an adverse impact on the reputation of the Group due to an amplified media scrutiny of the Tuffnells Group's on-going trading and results and a perception of management failing to execute business plans or failing to establish a clear vision for the Group.

Any such disruption or reputational damage may affect employee engagement, financial returns, external confidence and market perception and create uncertainty in the minds of customers, suppliers, employees and other stakeholders of the Group and the Tuffnells Group including in particular as to the future prospects of the Tuffnells Group.

***Management time being dedicated to supporting the Tuffnells Group may reduce the Group's capacity to implement wider Group strategies***

If the Proposed Transaction does not complete, the Group's executive management will be required to continue to dedicate time to support the Tuffnells Group and consider the appropriate structure and strategy of the Tuffnells Group going forward. This may result in reduced management bandwidth which in turn may lead to reduced focus on other Group projects and an adverse impact on the ability of the Group to address strategic priorities and to deliver the Group's forecasted performance.

***There may be an adverse impact on the Group's ability to retain and recruit key personnel***

There is a risk that any negative market perception and the Group's constrained financial position resulting from the Proposed Transaction not completing, may result in an inability for the Group to attract, engage and retain talent within a high performance and values-based culture.

There is a risk that the Group does not attract the people and skills needed to take the Group forward and that employees are not motivated towards or are disengaged from the task in hand. This lack of recruitment or retention of appropriate personnel may result in an inability for the Group to deliver a turnaround strategy for the Tuffnells Group which may have a consequential adverse impact on the Group's financial results.

## **2. RISKS RELATING TO THE PROPOSED TRANSACTION**

***The Transaction Documents contain customary Purchaser protections***

The Transaction Documents contain customary warranties, undertakings, covenants and indemnities given in favour of the Purchaser which impose obligations on the Continuing Group and could cause the Continuing Group to incur liabilities which would not have arisen or crystallised had the Proposed Transaction not taken place.

Following Completion, the Continuing Group will also be subject to customary covenants limiting its ability to solicit customers, employees and suppliers of the Tuffnells Group and otherwise compete with the Tuffnells Group business.

In the event the Seller were to be in breach of the warranties, undertakings, covenants or indemnities pursuant to the terms of the Transaction Documents, damages may be payable by Smiths News Holdings of up to a maximum aggregate liability of £5 million (other than any claims for amounts arising from fraud or fraudulent misrepresentation or relating to the locked box mechanism) in respect of the Share Purchase Agreement and Tax Deed and the lower of (i) £500,000; or (ii) one hundred per cent. of the total service charges paid and payable by TPE to the Seller during the term of the Transitional Services Agreement.

***The Purchaser or TPE may default under the Transaction Documents***

The Seller is subject to the risk of the Purchaser or TPE failing to comply with their obligations under the Transaction Documents, including in circumstances where their directors need to consider an immediate cessation of trading leading to administration or other forms of insolvency proceeding. In particular in the event that the Purchaser defaults under its obligations pursuant to the Share Purchase Agreement to pay the deferred consideration, the Seller may not receive some or all of the amounts due to it.

Further, whilst the Purchaser is required promptly after Completion to obtain the release of the Company from guarantees it has given for the benefit of the Tuffnells Group pursuant to the Lease Agreements and indemnify the Continuing Group for any liabilities arising under the relevant guarantees, until such releases have been obtained the Company is reliant on being indemnified by the Purchaser and losses could be incurred by the Continuing Group as a result of the continuation of such guarantees if the Purchaser defaults on its obligations.

## **3. RISKS RELATING TO THE CONTINUING GROUP**

***The Continuing Group's operations will be smaller and less diversified***

Following Completion, the Continuing Group's business will be smaller, less diversified and will depend nearly exclusively on the performance of its newspaper and magazine distribution business.

As a result, the Continuing Group may be less resilient to competitive trends than the existing Group and will have no operational hedge to the macro-economic factors affecting newspaper and magazine consumption including in particular any downturn in discretionary consumer spending



and the long-term trend of declining newspaper and magazine sales, certain of which may be exacerbated by the impact of extraordinary events such as outbreaks of COVID-19, which may result in decreased footfall at supermarkets and news outlets. Such greater sensitivity to these market factors may have an adverse effect on the cash flow, operating results and financial position of the Continuing Group.

Conversely, following Completion, the Continuing Group will no longer gain any direct benefit from anticipated growth in the UK mixed freight distribution and third party logistics market which the existing Group may have otherwise benefitted from had the Proposed Transaction not completed.

***Transition and separation issues may limit or delay certain benefits arising from the Proposed Transaction***

Smiths News Holdings will enter into a Transitional Services Agreement with TPE at Completion to provide certain transitional services already being provided by the Continuing Group to the Tuffnells Group for a limited period following Completion. Further, pursuant to the terms of the Share Purchase Agreement, Smiths News Holdings is required to provide certain post-Completion support to the Tuffnells Group business (including in respect of the provision of information, the transfer of certain vehicle leasing contracts, and the administration of certain option share schemes) and the Purchaser is required to provide post-Completion support to the Continuing Group (including in respect of the provision of information, the transfer of certain vehicle leasing contracts, office facilities and telephony systems).

The Continuing Group's management may be required to allocate time and resources to such transitional and separation arrangements and/or fulfilment of Smiths News Holdings' obligations under the Transitional Services Agreement and Share Purchase Agreement potentially resulting in an adverse impact on the ability of the Continuing Group to address strategic priorities and to deliver its forecasted performance.

The Continuing Group may also incur unexpected additional costs and/or adverse impacts resulting from such transition and separation arrangements which may offset anticipated cost savings in central overheads resulting from the Proposed Transaction.

## PART III

### HISTORICAL FINANCIAL INFORMATION RELATING TO THE TUFFNELLS GROUP

The unaudited historical financial information in respect of the Tuffnells Group has been extracted without material adjustment from the consolidation schedules used in preparing the Group's consolidated financial statements for the years ended 31 August 2017, 31 August 2018 and 31 August 2019.

The financial information in this Part III (Historical Financial Information Relating to the Tuffnells Group) does not constitute statutory accounts within the meaning of section 434 of the Companies Act. The consolidated statutory accounts for Group in respect of each of the financial years ended 31 August 2017, 31 August 2018 and 31 August 2019 have been delivered to the Registrar of Companies. The auditor's reports in respect of those statutory accounts were unqualified and did not contain statements under section 498(2) or (3) of the Companies Act.

The presentation of the income statement for the year ended 31 August 2019 was changed to present a split of costs to comply with the principles of IAS 1 and therefore the presentation differs to the years ended 31 August 2017 and 31 August 2018. This has no impact on the revenue or result for the periods.

Shareholders should read the whole of this document and not rely solely on the summarised financial information in this Part III (Historical Financial Information Relating to the Tuffnells Group).

#### **Unaudited income statements of the Tuffnells Group for the year ended 31 August 2017, the year ended 31 August 2018 and the year ended 31 August 2019**

	<i>The Tuffnells Group for the year ended 31 August 2017</i>	<i>The Tuffnells Group for the year ended 31 August 2018</i>	<i>The Tuffnells Group for the year ended 31 August 2019</i>
<i>£m</i>			
Revenue	183.8	175.2	164.4
Cost of sales	–	–	(169.2)
Other cost of sales	(125.9)	(135.7)	–
Gross profit/(loss)	57.9	39.5	(4.8)
Impairment charges	–	(46.1)	(45.5)
Distribution costs	(35.2)	(28.8)	–
Administrative expenses	(18.4)	(22.3)	(17.3)
Operating profit/(loss)	4.3	(57.7)	(67.6)
Finance costs	(0.3)	(0.3)	(0.2)
Profit/(loss) before tax	4.0	(58.0)	(67.8)
Income tax expense	(0.9)	1.0	14.4
Profit/(loss) after tax	3.1	(57.0)	(53.4)

The table below restates the Tuffnells Group income statement for the years ended 31 August 2017 and 2018 so that they are presented consistently with the year ended 31 August 2019.

	<i>The Tuffnells Group for the year ended 31 August 2017 Restated</i>	<i>The Tuffnells Group for the year ended 31 August 2018 Restated</i>	<i>The Tuffnells Group for the year ended 31 August 2019</i>
<i>£m</i>			
Revenue	183.8	175.2	164.4
Cost of sales	<u>(160.8)</u>	<u>(163.9)</u>	<u>(169.2)</u>
Gross profit/(loss)	23.0	11.3	(4.8)
Impairment charges	–	(46.1)	(45.5)
Administrative expenses	<u>(18.7)</u>	<u>(22.9)</u>	<u>(17.3)</u>
Operating profit/(loss)	4.3	(57.7)	(67.6)
Finance costs	<u>(0.3)</u>	<u>(0.3)</u>	<u>(0.2)</u>
Profit/(loss) before tax	4.0	(58.0)	(67.8)
Income tax expense	<u>(0.9)</u>	<u>1.0</u>	<u>14.4</u>
Profit/(loss) after tax	<u>3.1</u>	<u>(57.0)</u>	<u>(53.4)</u>

**Unaudited net asset statement of the Tuffnells Group as at 31 August 2019**

<i>£m</i>	<i>Tuffnells Group as at 31 August 2019</i>
<b>Non-current assets</b>	
Property, plant and equipment	1.6
Investments	18.0
Deferred tax assets	4.0
Total non-current assets	<u>23.6</u>
<b>Current assets</b>	
Inventories	0.4
Trade and other receivables	12.8
Cash and cash equivalents	0.0
Assets classified as held for sale	16.8
Total current assets	<u>30.0</u>
Total assets	<u>53.6</u>
<b>Current liabilities</b>	
Trade and other payables	(12.2)
Current tax liabilities	2.2
Bank loans and other borrowings	(16.1)
Obligations under finance leases	(1.3)
Provisions	(2.3)
Total current liabilities	<u>(29.7)</u>
<b>Non-current liabilities</b>	
Retirement benefit obligations	(2.9)
Obligations under finance leases	(0.3)
Non-current provisions	(1.4)
Total non-current liabilities	<u>(4.6)</u>
Total liabilities	<u>(34.3)</u>
<b>Net assets</b>	<u><b>19.3</b></u>

## PART IV

# UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE CONTINUING GROUP

### SECTION A: ACCOUNTANT'S REPORT ON THE PRO FORMA FINANCIAL INFORMATION



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The Directors  
Connect Group PLC  
Rowan House  
Cherry Orchard North  
Kembrey Park  
Swindon  
SN2 8UH

15 April 2020

Dear Sirs,

**Connect Group PLC (the “Company”) and its subsidiary undertakings (the “Group”)**

#### **Introduction**

We report on the pro forma financial information set out in Section B Part IV of the Class 1 circular dated 15 April 2020 (the “**Circular**”), which has been prepared on the basis described in the notes to the pro forma financial information, for illustrative purposes only, to provide information about how the disposal of The Big Green Parcel Holding Company Limited and its subsidiaries might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the year ended 31 August 2019. This report is required by the Commission Delegated Regulation (EU) 2019/980 (the “**Prospectus Delegated Regulation**”) as applied by rule 13.3.3 R of the Listing Rules made by the Financial Conduct Authority (the “**Listing Rules**”) and is given for the purpose of complying with that requirement and for no other purpose.

#### **Responsibilities**

It is the responsibility of the directors of the Company (the “**Directors**”) to prepare the pro forma financial information in accordance with sections 1 and 2 of Annex 20 of the Prospectus Delegated Regulation as applied by Listing Rule 13.3.3 R.

It is our responsibility to form an opinion, as required by section 3 of Annex 20 of the Prospectus Delegated Regulation as applied by Listing Rule 13.3.3 R, as to the proper compilation of the pro forma financial information and to report our opinion to the Company.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to the shareholders of the Company as a result of the inclusion of this report in the Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1 R (6), consenting to its inclusion in the Circular.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

### **Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

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

### **Opinion**

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

Yours faithfully

### **RSM Corporate Finance LLP**

Regulated by the Institute of Chartered Accountants in England and Wales

RSM Corporate Finance LLP is a limited liability partnership registered in England and Wales, registered no. OC325347. A list of the names of members is open to inspection at the registered office 25 Farringdon Street London EC4A 4AB.

## SECTION B: PRO FORMA FINANCIAL INFORMATION

### UNAUDITED PRO FORMA INCOME STATEMENT OF THE GROUP

The following unaudited pro forma income statement of the Group has been prepared to illustrate the effect on the consolidated income statement of the Group as if the Proposed Transaction had taken place on 1 September 2018.

The pro forma income statement has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent what the Group's actual financial position or results would have been if the Proposed Transaction had been completed on the date indicated, nor does it purport to represent the results for any future period or financial position at any future date.

The pro forma income statement is based on the consolidated income statement of the Group for the year ended 31 August 2019, set out in the audited consolidated financial statements of the Group for the year ended 31 August 2019, and has been prepared in a manner consistent with the accounting policies adopted by the Company in preparing such information and on the basis set out in the notes set out below.

	<i>Pro forma income statement of the</i>		
	<i>The Group for</i>	<i>The Tuffnells</i>	<i>Continuing</i>
	<i>the year ended</i>	<i>Group for</i>	<i>Group for</i>
	<i>31 August</i>	<i>31 August</i>	<i>31 August</i>
	<i>2019</i>	<i>2019</i>	<i>2019</i>
<i>£m</i>	<i>(Note 1)</i>	<i>(Note 2)</i>	
Revenue	1,467.9	(164.4)	1,303.5
Cost of sales	(1,387.0)	169.2	(1,217.8)
Gross profit	80.9	4.8	85.7
Administrative expenses and impairment charges	(112.8)	62.8	(50.0)
Income from joint ventures	0.6	0.0	0.6
Operating (loss)/profit	(31.3)	67.6	36.3
Finance costs	(6.3)	0.2	(6.1)
(Loss)/profit before tax	(37.6)	67.8	30.2
Income tax expense	6.1	(14.4)	(8.3)
(Loss)/profit for the year	(31.5)	53.4	21.9

#### Notes:

1. The Group income statement for the year ended 31 August 2019 has been extracted, without adjustment, from the audited annual financial reports and accounts of the Group for the year ended 31 August 2019.
2. The income statement of the Tuffnells Group has been extracted without material adjustment from the financial information on the Tuffnells Group set out in Part III (Historical Financial Information Relating to the Tuffnells Group) of this document.
3. No account has been taken of the financial performance of the Group or of the Tuffnells Group since 31 August 2019, nor of any other event save as disclosed above.

## UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE GROUP

The following unaudited pro forma statement of net assets of the Group has been prepared to illustrate the effect on the consolidated net assets of the Group as if the Proposed Transaction had taken place on 31 August 2019. The pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent the Group's actual financial position or results.

The pro forma statement of net assets has been prepared by the Directors for illustrative purposes only and because of its nature, addresses a hypothetical situation. It does not purport to represent what the Group's financial position or results of operations would have been if the Proposed Transaction had been completed on the dates indicated, nor does it purport to represent the results of operations for any future period or financial position at any future date.

The pro forma statement of net assets is based on the consolidated net assets of the Group as at 31 August 2019, set out in the audited consolidated financial statements of the Group for the year ended 31 August 2019, and has been prepared in a manner consistent with the accounting policies adopted by the Company in preparing such information and on the basis set out in the notes set out below.

<i>£m</i>	<i>The Group as at 31 August 2019 (Note 1)</i>	<i>The Tuffnells Group as at 31 August 2019 (Note 2)</i>	<i>Proposed Transaction costs (Note 3)</i>	<i>Proposed Transaction proceeds (Note 4)</i>	<i>Pro forma net assets of the Continuing Group as at 31 August 2019</i>
<b>Non-current assets</b>					
Intangible assets	10.1	–	–	–	10.1
Property, plant and equipment	10.9	(1.6)	–	–	9.3
Deferred consideration receivable	–	–	–	15.0	15.0
Loans receivable	–	–	–	6.5	6.5
Interest in joint ventures	5.3	–	–	–	5.3
Deferred tax	5.2	(4.1)	–	–	1.1
<b>Total non-current assets</b>	<b>31.5</b>	<b>(5.7)</b>	<b>–</b>	<b>21.5</b>	<b>47.3</b>
<b>Current assets</b>					
Inventories	16.2	(0.4)	–	–	15.8
Trade and other receivables	124.2	(12.8)	–	–	111.4
Cash and bank deposits	24.0	–	(2.6)	(6.5)	14.9
Assets classified as held for sale	16.8	(16.8)	–	–	–
<b>Total current assets</b>	<b>181.2</b>	<b>(30.0)</b>	<b>(2.6)</b>	<b>(6.5)</b>	<b>142.1</b>
<b>Total assets</b>	<b>212.7</b>	<b>(35.7)</b>	<b>(2.6)</b>	<b>15.0</b>	<b>189.4</b>
<b>Current liabilities</b>					
Trade and other payables	(173.7)	12.2	–	–	(161.5)
Current tax liabilities	–	(2.2)	–	–	(2.2)
Bank loans and other borrowings	(46.1)	16.1	–	–	(30.0)
Obligations under finance leases	(2.2)	1.3	–	–	(0.9)
Retirement benefit obligations	(0.4)	0.4	–	–	–
Provisions	(7.3)	2.3	–	–	(5.0)
<b>Total current liabilities</b>	<b>(229.7)</b>	<b>30.1</b>	<b>–</b>	<b>–</b>	<b>(199.6)</b>
<b>Non-current liabilities</b>					
Retirement benefit obligations	(2.5)	2.5	–	–	–
Bank loans and other borrowings	(49.3)	–	–	–	(49.3)
Obligations under finance leases	(0.3)	0.3	–	–	–
Other non-current liabilities	(1.2)	–	–	–	(1.2)
Non-current provisions	(4.0)	1.4	–	–	(2.6)
<b>Total non-current liabilities</b>	<b>(57.3)</b>	<b>4.2</b>	<b>–</b>	<b>–</b>	<b>(53.1)</b>
<b>Total liabilities</b>	<b>(287.0)</b>	<b>34.3</b>	<b>–</b>	<b>–</b>	<b>(252.7)</b>
<b>Total net liabilities</b>	<b>(74.3)</b>	<b>(1.4)</b>	<b>(2.6)</b>	<b>15.0</b>	<b>(63.3)</b>



**Notes:**

1. The net liabilities of the Group as at 31 August 2019 have been extracted without adjustment from the audited annual financial reports and accounts of the Group for the year ended 31 August 2019.
2. The net assets of the Tuffnells Group have been extracted without material adjustment from the financial information on the Tuffnells Group set out in Part III (Historical Financial Information Relating to the Tuffnells Group) of this document, except for:
  - 2.1 As at 31 August 2019, £18.0m of investments were included on the balance sheet of the Tuffnells Group. This is an investment in subsidiaries of HoldCo and, from a Group perspective, are eliminated on consolidation. As a result, these investments have been excluded from the net asset adjustment for the Tuffnells Group in the table above.
3. Costs and expenses related to the Proposed Transaction are expected to be £2.6m.
4. As described in Part I (Letter from the Chairman) of this document, Smiths News Holdings has agreed to sell the entire issued share capital of The Big Green Parcel Holding Company Limited to the Purchaser for a consideration of £15.0m payable in three tranches between 18 months following Completion and the third anniversary of Completion. This is shown as an adjustment to deferred consideration receivable in the pro forma statement of net assets. When received, the aggregate proceeds of the Proposed Transaction will be used to defray the cost of settling the Tuffnells Group cash overdraft at Completion and the transaction costs and expenses relating to the Proposed Transaction described above and the excess would be used for to reduce net debt at that time. No account has been taken of any discount adjustments to the consideration payable.

In addition, as a term of the Proposed Transaction, the Seller has agreed to make available a working capital loan of up to £10.5m to TPE in instalments over a minimum of seven months following Completion. Of this £10.5m, £6.5m will be capable of being drawn down from Completion which is shown as an adjustment to cash and non-current loans receivable. The remaining balance is an undrawn facility and consequently has not been reflected as an adjustment to the pro forma net assets.
5. All of the adjustments are not expected to have a continuing effect on the Group.
6. No account has been taken of the financial performance of the Group or of the Tuffnells Group since 31 August 2019, nor of any other event save as disclosed above.

## **PART V**

### **SUMMARY OF THE PRINCIPAL TERMS AND CONDITIONS OF THE PROPOSED TRANSACTION DOCUMENTS**

The following is a summary of the material terms of the Share Purchase Agreement, the Tax Deed, the Transitional Services Agreement, the Loan Agreement and the Deed of Security. As set out in paragraph 14 of Part VI (Additional Information) of this document, the Share Purchase Agreement is available for inspection by Shareholders.

#### **SECTION A: SHARE PURCHASE AGREEMENT**

##### **1. PARTIES AND BACKGROUND**

The Share Purchase Agreement, which was entered into by Smiths News Holdings and the Purchaser on 14 April 2020, relates to the conditional sale of the entire issued share capital of The Big Green Parcel Holding Company Limited by Smiths News Holdings to the Purchaser.

##### **2. CONSIDERATION**

The consideration payable by the Purchaser to the Seller comprises £15,000,000 (fifteen million pounds) in cash, payable in three tranches as follows:

- £6,500,000 on the date 18 months following Completion;
- £4,250,000 on or prior to the date 27 months following Completion; and
- £4,250,000 on or prior to the date 36 months following Completion.

The Share Purchase Agreement contains an obligation on the Seller to deliver the Tuffnells Group to the Purchaser debt free, cash free at Completion and a locked box mechanism pursuant to which the Seller has agreed to pay the Purchaser on demand in respect of any payments or leakage of value from Tuffnells Group to the Seller or its related persons other than agreed permitted leakage, from the business since 31 January 2020, being the locked box date.

If, following Completion, the Purchaser disposes of a controlling interest in the shares of, or a substantial part of the assets or business of the Tuffnells Group or lists the shares of the Tuffnells Group on a recognised stock exchange, or undergoes a change in control then:

- if this occurs on or before the date which is 24 months from Completion the Purchaser is required to pay the Seller an amount in cash equal to 50% of the net proceeds resulting from the occurrence of such event; and in addition
- if this occurs on or before the date which is 36 months from Completion all deferred consideration remaining to be paid under the Share Purchase Agreement will immediately be payable by the Purchaser to the Seller in full.

During the period of 36 months from Completion, the Purchaser has undertaken (without the prior consent of the Seller) not to take any action outside the ordinary course of business of the Purchaser Group which the Purchaser, acting in good faith, believes will, or would reasonably be expected to, materially adversely impact the right of the Seller to receive the deferred consideration.

The Tuffnells Pension Scheme and the liabilities relating to it will transfer out of the Continuing Group with the Tuffnells Group at Completion under the terms of the Share Purchase Agreement.

### **3. CONDITION TO COMPLETION**

Completion is conditional upon the approval of the Proposed Transaction by Shareholders. Completion is expected to occur on or before 2 May 2020. If this condition is not satisfied or becomes impossible to satisfy on or before 31 August 2020 either party may give notice to terminate the Share Purchase Agreement.

There are no other conditions to Completion of the Proposed Transaction and the Share Purchase Agreement does not contain any other conditions or contractual rights for either party to terminate it.

If the Resolution is not passed by Shareholders after a vote is held, or if, as at 5.30 pm on 31 August 2020, no vote has been held on the Resolution and the Company has not obtained written undertakings from such number of Shareholders to the effect that they would approve the Proposed Transaction and vote in favour of the Resolution were the General Meeting to be held so as to ensure that the Resolution would be passed the Share Purchase Agreement contains an obligation on the Seller to pay to the Purchaser £100,000 (inclusive of VAT) as compensation for any losses the Purchaser may have suffered in relation to the Proposed Transaction.

### **4. WARRANTIES, INDEMNITIES AND LIMITATIONS**

Each of the Seller and the Purchaser has given standard warranties relating to their incorporation, capacity to contract and authority to enter the Share Purchase Agreement and the documents referred to therein including the Tax Deed and the Transitional Services Agreement.

The Seller has also given customary general commercial warranties which are usual for a transaction of this nature and include warranties concerning title to the shares in HoldCo and each of the subsidiaries; the constitutional and corporate documents of the Tuffnells Group, disputes and investigations; material contracts; transactions with the Continuing Group; finance and guarantees; insolvency; accounts; financial and other records; assets; intellectual property rights; information technology; data protection; employment; retirement benefits; property; environment and health and safety; anti-corruption; sanctions; insurance; competition and tax.

The Seller has also given the Purchaser certain indemnities relating to matters arising from or relating to the terms of the Proposed Transaction including in respect of the intra-group TUPE transfer of certain employees of the Continuing Group to TPE (as set out in paragraph 6 of this Part V (Summary of the Principal Terms and Conditions of the Proposed Transaction Documents) of this document) and the performance and transfer of certain motor vehicle leasing contracts (currently in the name of TPE but performed for the benefit of the Continuing Group).

The aggregate amount which may be recovered from the Seller for all claims under or in connection with the Share Purchase Agreement (including under the warranties and the indemnities) and the Tax Deed (other than any claims for amounts arising from fraud or fraudulent misrepresentation or relating to the locked box mechanism (see paragraph 2 of this Part V (Summary of the Principal Terms and Conditions of the Proposed Transaction Documents) for further details)) is £5 million (five million pounds).

The aggregate amount which may be recovered from the Seller for all claims in respect of the general commercial warranties is limited to £1 million (one million pounds).

Other customary limitations apply in the event the Purchaser brings certain claims against the Seller including the Purchaser being limited from bringing a claim if relevant matters have been fairly disclosed by the Seller prior to entry into the Share Purchase Agreement or if the relevant claim is below certain de minimis financial thresholds or is brought following the expiry of certain time limits.

## **5. PRE-COMPLETION UNDERTAKINGS**

Prior to Completion, the Seller has agreed to ensure that the Tuffnells Group's business continues in the normal course and in substantially the same manner as was carried on before the date of the Share Purchase Agreement.

The Share Purchase Agreement also includes a number of specific obligations and restrictions in respect of the pre-Completion period.

## **6. INTRA-GROUP TUPE TRANSFER**

Pending Completion, it is proposed that there be an intra-group TUPE transfer of certain employees of the Continuing Group to TPE (subject to the right of any such individual to object to such transfer).

The Seller has agreed to indemnify the Purchaser (both for itself and on behalf of TPE) for losses relating to such transfer and has agreed that, in the event any such transferring employee is dismissed by reason of redundancy in the six months following Completion, the Purchaser shall, at the Seller's cost, procure that the Seller's discretionary enhanced redundancy pay policy is applied to the extent that policy applied to such individual as at the date of the Share Purchase Agreement.

## **7. CONTINUING GROUP GUARANTEES**

In relation to each of the guarantees given by the Company in the Lease Agreements (see paragraph 7 of Part VI (Additional Information) of this document for further information), after Completion the Purchaser is obliged to promptly either procure a replacement guarantor approved by the relevant Landlord or to procure a rent deposit is provided to the relevant Landlord for a deposit of not less than 12 months' main rent in respect of the relevant Lease Agreement, in each case in a manner to obtain the release of the Company from the relevant guarantees.

The Seller is required to use its reasonable endeavours to provide the Purchaser such information and assistance as the Purchaser may reasonably request to assist procuring the release of the guarantees.

Prior to and after such releases are obtained, the Purchaser has agreed to indemnify the Continuing Group for any and all costs, claims and liabilities arising under the relevant guarantees.

## **8. NON-COMPETE OBLIGATIONS**

The Seller has agreed, in each case for a period of 18 months from Completion, that no member of the Continuing Group will: (i) carry on or be engaged, concerned or interested in a business which competes with Tuffnells Group; (ii) canvass, solicit or otherwise seek the custom of the Tuffnells Group's customers at Completion (and in the 12 months prior) with a view to providing such customers goods or services which compete with the Tuffnells Group's business (as it was carried out on the date of the Share Purchase Agreement); (iii) have any business dealings with, or solicit, entice or attempt to entice away any supplier of goods or services to the Tuffnells Group if such action causes or is reasonably likely to cause such supplier to cease supplying, reduce its supply or adversely vary its terms of supply with the Tuffnells Group; and (iv) offer employment to, enter into a contract for the services of, or otherwise entice or attempt to entice away (or procure the making of any such offer) any Tuffnells Group's employees (either at Completion or in the 6 months prior) whose total annual remuneration is in excess of £50,000.

Such restrictions on the Seller are subject to a number of limitations and exclusions.

## 9. POST-COMPLETION OBLIGATIONS

The Purchaser has agreed to procure that for at least 6 months following Completion the Tuffnells Group will carry on business in the ordinary course consistent with a company pursuing a turnaround, so as to maintain the Tuffnells Group as a going concern.

In addition, the Seller is required to provide certain post-Completion support to the Tuffnells Group business (including in respect of the provision of information, the transfer of certain vehicle leasing contracts, and the administration of certain option share option schemes) and the Purchaser is required to provide post-Completion support to the Continuing Group (including in respect of the provision of information, the transfer of certain vehicle leasing contracts, office facilities and telephony systems). Subject to certain limitations, the Purchaser is required to provide the office facility support and telephony systems support, at the same service level and quality, standard and at the same level of priority as provided to the Continuing Group in the 12 months prior to Completion.

The Purchaser is also required after Completion to take certain steps to ensure it no longer exploits the intellectual property rights of the Continuing Group including the “Connect” and “Pass My Parcel” names.

## 10. MISCELLANEOUS

The Share Purchase Agreement also contains certain other customary provisions, such as mutual confidentiality obligations not to disclose any confidential information relating to the Proposed Transaction or any party to the Share Purchase Agreement or the Tuffnells Group.

The Share Purchase Agreement is governed by English law with the Courts of England and Wales having exclusive jurisdiction in relation to any dispute or claim arising out of or in connection with the same.

## SECTION B: LOAN AGREEMENT AND DEED OF SECURITY

At Completion, as an obligation under the Share Purchase Agreement, TPE (as borrower) and the Seller (as lender) will enter into the Loan Agreement. The purpose of the loan is to provide working capital for the Tuffnells Group and to fund any rent deposit deeds as referenced at paragraph 7 of Section A of this Part V (Summary of the Principal Terms and Conditions of the Proposed Transaction Documents).

The loan will be in a principal amount of up to £10.5 million and will be capable of being drawn down as follows:

- up to £4.95 million at Completion;
- up to £1.55 million from Completion to the date falling 3 months after Completion; and
- up to £1.0 million per month for each of the four months following the later of 1 September 2020 and the date falling four months after Completion, (each a “Loan”).

All Loans under the Loan Agreement are repayable in two instalments, with £5 million repayable on the date falling 18 months from Completion and all other outstanding amounts repayable on the second anniversary of Completion.

Interest will accrue on Loans under the Loan Agreement from the date of such Loan at the fixed rate of 10% per annum and will be payable quarterly in arrears.

The Loan Agreement contains customary terms in respect of repayment including setting out certain circumstances in which the Loans may be immediately repayable such as in the event either TPE is unable to pay its debts as they fall due. TPE is able to repay the Loans early at any time by payment in full of the principal and all accrued interest outstanding under the Loan Agreement.

At Completion TPE and the Seller will enter into the Deed of Security pursuant to which TPE, as security for the discharge of its obligations under the Loan Agreement, will create a fixed charge and legal mortgage in favour of the Seller over the seven properties in England and Wales in which TPE has a freehold interest (including one long leasehold interest), together with a fixed charge and/or assignment over other assets related to such properties including plant, machinery, property rights and insurance policies. In connection with the grant of security, TPE will also give various customary undertakings relating to the charged property, including an undertaking to keep the charged property in good repair, not dispose of the charged property, and not create, attempt to create or permit any security interest over the charged property.

### **SECTION C: TAX DEED**

The Seller and the Purchaser have agreed to enter into a tax deed at Completion on customary terms for a transaction of this type.

In respect of the period from the date the Seller acquired the Tuffnells Group on 19 December 2014 up to and including 31 January 2020, and subject to certain exceptions, the Seller has agreed that they will reimburse the Purchaser in respect of any liability for taxation which has arisen (i) as the result of any event occurring or deemed to occur for the purposes of taxation in that period; or (ii) as a result of income, profits or gains earned, accrued or received in that period.

In respect of the period from 31 January 2020 up to and including Completion, and subject to certain exceptions, the Seller has agreed that they will reimburse the Purchaser in respect of any liability for taxation which has arisen (i) as the result of any event occurring or deemed to occur for the purposes of taxation between 31 January 2020 and Completion; or (ii) as a result of income, profits or gains earned, accrued or received between 31 January 2020 and Completion, other than in the ordinary course of business.

The Purchaser also agrees to reimburse the Seller in respect of certain liabilities for taxation which arise as a result of actions or inactions of the Purchaser's tax group.

### **SECTION D: TRANSITIONAL SERVICES AGREEMENT**

The Seller and TPE have agreed to enter into the Transitional Services Agreement at Completion, which provides that, with effect from Completion, the Seller will provide certain transitional services already being provided by the Continuing Group to the Tuffnells Group including IT services, location access services, data and management support, customer experience support, finance support, people and human resources support and operational support.

The services to be provided pursuant to the Transitional Services Agreement will be provided for a maximum period of twelve months following Completion (or fifteen months in the event of a delay in the transition of the services caused by (i) a force majeure event; (ii) a failure by the Seller to comply with its obligations under the Transitional Services Agreement (and/or the migration plan to be agreed between the Seller and TPE); and/or (iii) circumstances where the information provided to TPE by the Seller in respect of the migration plan to be agreed between the Seller and TPE does not in all material respects reflect or describe accurately TPE's IT systems such that the implementation of the such plan cannot proceed in accordance with that plan).

Individual service charges are set out for each of the services to be delivered pursuant to the Transitional Services Agreement. Costs associated with the delivery of the services are to be invoiced by the Seller to TPE monthly (to be paid within 30 days) unless any such costs are outside the ordinary and usual course of business or otherwise more than £25,000 over the envisaged service charge for any service in which case the Seller may invoice TPE prior to providing the service incurring such costs.

Subject to certain exclusions, the Seller's liability under the Transitional Services Agreement for the delivery of the services is limited to the lower of (i) £500,000; or (ii) one hundred per cent. of the total service charges paid and payable by TPE to the Seller during the term of the Transitional Services Agreement.

## PART VI

### ADDITIONAL INFORMATION

#### 1. RESPONSIBILITY

The Company and the Directors, whose names appear in paragraph 2 below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (each of whom 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. COMPANY DETAILS

Connect Group PLC was incorporated on 2 August 2004 and is domiciled in the United Kingdom. It is a public limited company incorporated under the laws of England and Wales with registered number 05195191. The principal legislation under which the Group operates is the Companies Act and the regulations made under the Companies Act.

The Directors of the Company and their functions are as follows:

Gary Kennedy	Chairman
Jonathan Bunting	Interim Chief Executive Officer
Anthony Grace	Chief Financial Officer
Mark Whiteling	Senior Independent Non-Executive Director
Denise Collis	Independent Non-Executive Director
Michael Holt	Independent Non-Executive Director

The registered office and head office of the Company is at Rowan House, Cherry Orchard North, Kembrey Park, Swindon, SN2 8UH and the Company's telephone is +44 (0)845 128 888.

The Company's website is [www.connectgroupplc.com](http://www.connectgroupplc.com).

#### 3. DIRECTORS' INTERESTS IN SHARES

3.1 As at the Latest Practicable Date, the interests of the Directors in the Ordinary Shares are as follows:

<i>Name of Director</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of the issued share capital of the Company as at the Latest Practicable Date</i>
Gary Kennedy	260,000	0.10
Jonathan Bunting	511,657	0.21
Anthony Grace	100,727	0.04
Mark Whiteling	80,000	0.03
Denise Collis	48,846	0.02
Michael Holt	—	—

- 3.2 As at the Latest Practicable Date the following Directors held options over Ordinary Shares under the Company Share Schemes as follows:

	<i>Number of Ordinary Shares subject to option</i>	<i>Date of award</i>	<i>Exercise price (p)</i>	<i>Date from which exercisable</i>	<i>Expiry Date</i>
<i>Long Term Incentive Plan</i>					
Jonathan Bunting	267,873	5 December 2017	0	November 2020*	5 December 2027
	404,319	13 December 2018	0	November 2021*	13 December 2028
	1,411,840	13 December 2019	0	November 2022*	13 December 2029
Anthony Grace	818,875	13 December 2018	0	November 2021*	13 December 2028
	983,333	13 December 2019	0	November 2022*	13 December 2029
<i>Save As You Earn</i>					
Anthony Grace	59,210	1 September 2019	30.4p	September 2022	March 2023

\*The date from which the Long Term Incentive Plan options can be exercised is linked to the date upon which the Company announces its preliminary financial results in each financial year.

- 3.3 Save as set out in paragraphs 3.1 and 3.2 above, as at the Latest Practicable Date, none of the Directors nor other individuals comprising members of the Group's administrative, management or supervisory bodies and/or any senior managers of the Group who are relevant to establishing that the Company has the appropriate expertise and experience for the management of the Group's business, held any interest, whether beneficial or non-beneficial, in any of the share capital of the Company or any member of the Group, or any options over the Ordinary Shares.

## 4. DIRECTORS' SERVICE AGREEMENTS

### 4.1 Executive Directors

As at the date of this document, details of the contracts of employment for the executive Directors are as follows:

<i>Executive Director</i>	<i>Date of contract</i>	<i>Notice period by Company</i>	<i>Notice period by director</i>	<i>Annual salary/£</i>	<i>Bonus/£ exercisable</i>	<i>Other benefits/£</i>
Jonathan Bunting	1 April 2010	12 months	9 months	291,312*	0	91,700
Anthony Grace	5 November 2018	12 months	9 months	295,000	0	57,700

\*With effect from 5 November 2019, Jonathan Bunting receives a salary supplement in addition to his unchanged current base salary of £291,312 per annum, taking his total annualised salary to £450,000.

The executive Directors' service contracts have an indefinite term and there are no other provisions for the payment of benefits upon termination in the executive Directors' service contracts.

### 4.2 Non-executive Directors

As at the date of this document, the non-executive Directors have letters of appointment with the Company as follows:

<i>Non-Executive Director</i>	<i>Annual fees/£*</i>	<i>Benefits/£**</i>	<i>Date of appointment</i>	<i>Notice period</i>
Gary Kennedy	140,000	12,000	2 March 2015	3 months
Mark Whiteling	55,000	2,000	1 September 2017	3 months
Denise Collis	50,000	2,000	1 December 2015	3 months
Michael Holt***	45,000	3,000	1 October 2018	3 months

\* The fees paid to non-executive directors (excluding the Chairman) comprise a base fee of £40,000, with an additional fee of £10,000 for chairing the Audit or Remuneration Committee, an additional fee of £5,000 for chairing the National Colleague Engagement Forum and an additional fee of £5,000 for the role of Senior Independent Director.



\*\* The benefits disclosed relate to the reimbursement of travel and accommodation expenses incurred in attending Board meetings at the Company's premises around the UK. The grossed-up value has been disclosed and the tax arising is settled by the Company.

\*\*\* On 5 November 2019, the annual fee for Michael Holt has increased temporarily by £205,000 for the intended short term duration of his tenure as Executive Chairman of Tuffnells Group.

There are no other provisions for the payment of benefits upon termination in the non-executive Directors' letters of appointment.

As announced on 31 January 2020, Gary Kennedy intends to step down from the Board on conclusion of the strategic review of the Tuffnells Group and has now confirmed his intention to step down from the Board following completion of the Proposed Transaction at the time the next interim financial results are reported, provided his successor has been appointed by that date. A formal search process to identify and appoint his successor is underway and a number of potential candidates have been identified and interviewed.

## 5. KEY INDIVIDUALS TO TUFFNELLS

As the current Executive Chairman of the Tuffnells Group, Michael Holt is deemed to be an individual key to the operation of the Tuffnells Group.

Further details of Mr Holt's expected continuing role in the Tuffnells Group following Completion are set out on page 12 of Part I (Letter from the Chairman) of this document.

## 6. MAJOR INTERESTS IN SHARES

As at the Latest Practicable Date, so far as the Directors are aware, the name of each person, other than a Director, who, directly or indirectly, holds three per cent. or more of the voting rights in the Company and the amount of each such person's interest is as follows:

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of the issued share capital of the Company as at the Latest Practicable Date</i>
Aberforth Partners LLP	42,416,859	17.13
FORUM Family Office Services GmbH	34,682,879	14.00
Fidelity International Limited	24,857,442	10.04
Silchester International Investors LLP	23,145,732	9.35
Jupiter Asset Management Limited	22,250,000	8.98
M&G Investment Management Ltd	10,689,514	4.32

There are no differences between the voting rights enjoyed by Shareholders described in this paragraph 6 and those enjoyed by any other Shareholder.

## 7. MATERIAL CONTRACTS

### 7.1 Continuing Group

The following contracts represent (i) each material contract, other than any contract entered into in the ordinary course of business, to which any member of the Continuing Group is a party, for the two years immediately preceding publication of this document; and (ii) any other contract (not being a contract entered into in the ordinary course of business) entered into by any member of the Continuing Group which contains any provision under which any member of the Continuing Group has any obligation or entitlement which is material to the Continuing Group as at the date of this document:

### 7.1.1 *Share Purchase Agreement*

The Share Purchase Agreement, which is summarised in Part V (Summary of the Principal Terms and Conditions of the Proposed Transaction Documents) of this document.

### 7.1.2 *Sale and Leaseback Agreements*

The Company has entered into each Lease Agreement as guarantor (see pages 44 to 45 for further details).

As guarantor, the Company has indemnified each Landlord under each Lease Agreement against all losses, costs, damages and expenses caused to the relevant Landlord by TPE defaulting or otherwise failing to comply with its obligations under the Lease Agreement or as a result of TPE proposing or entering into any company voluntary arrangement, scheme of arrangement or other scheme having or purporting to have the effect of impairing, compromising or releasing any or all obligations of TPE.

In addition, in the event that any Landlord notifies the Company within three months after the date of any disclaimer or forfeiture of the relevant lease or TPE being struck off the register of companies, the Company must, within 10 business days, at the Landlord's option either: (i) at the Company's own cost accept the grant of new a lease relating to the relevant Sold Depot; or (ii) pay the Landlord any arrears of the rent, the outgoings and all other sums due under the relevant Lease Agreement plus the amount equivalent to the main rent under the relevant Lease Agreement that would have been payable for the period of six months following the disclaimer, forfeiture or striking-off had there been no such event.

The Company was also a party to the Property Sale Agreements (see pages 44 to 45 for further details), but the Company's obligations pursuant to the Property Sale Agreements were limited to ensuring the Company entered into and complied with the terms of the Lease Agreements.

### 7.1.3 *Facility Agreement*

Pursuant to the Group's Facility Agreement, a syndicate of banks including HSBC made available to the Company and certain of its subsidiaries:

- (a) a term loan facility in an aggregate amount equal to £50,000,000 for general corporate purposes of the Group, including towards refinancing existing facilities (the "**Term Facility**"); and
- (b) a multicurrency revolving loan facility in an aggregate amount equal to £125,000,000 for general corporate purposes, including towards financing permitted acquisitions and towards refinancing existing facilities (the "**Revolving Facility**").

#### ***Repayment and prepayment***

##### *Term Facility*

The Company shall repay the aggregate amount of loans drawn under the Term Facility in full by 31 January 2021, being the termination date. The Company may, if it gives HSBC (acting as agent for the syndicate of banks) not less than five Business Days' prior notice, prepay the whole or any part of a loan drawn under the Term Facility. Prepayments are to be made with accrued interest and will be subject to any break costs.

### *Revolving Facility*

The Company shall repay each loan under the Revolving Facility on the last day of its interest period, and such interest period shall not extend beyond 31 January 2021, being the termination date. The Company may, if it gives HSBC (acting as agent for the syndicate of banks) not less than 5 Business Days' prior notice, prepay the whole or any part of a loan drawn under the Revolving Facility. Prepayments are to be made with accrued interest and will be subject to any break costs.

### ***Change of control***

If any person or group of persons acting in concert gains control by: (1) holding over 50 per cent. of the beneficial interest of the Company; (2) having the power to cast or control over 50 per cent. of the maximum number of votes cast at a general meeting of the Company; (3) having the power to appoint or remove all, or a majority, of the directors of the Company; or (4) having the power to give directions with respect to the operating and financial policies of the Company, the Company must notify HSBC (acting as agent of the syndicate of banks) upon becoming aware of that event. Within 30 days of the Company notifying HSBC of the event, if a lender in the syndicate so requires, HSBC shall, by not less than 30 days' notice to the Company, cancel that lender's commitments under the Facility Agreement and declare any amounts payable to that lender, together with accrued interest, immediately due and payable.

### ***Interest***

The highest rate of interest on loans under the Term Facility and the Revolving Facility is the aggregate of 3.35 per cent. per annum (which may decrease in accordance with a margin ratchet that depends on the leverage of the Group) plus LIBOR (or, in relation to any loan in euro, EURIBOR).

If the Company fails to pay any amount payable by it under the Facility Agreement on its due date, interest shall accrue on the overdue amount from the due date up to the date of actual payment at a rate which is 1 per cent. higher than the rate which would have been payable if the overdue amount had, during the period of non-payment, constituted a loan.

#### ***7.1.4 Sponsor Agreement***

The Company and the Sponsor entered into the Sponsor Agreement on 15 April 2020, pursuant to which the Sponsor agreed to act as sponsor to the Company in connection with the Proposed Transaction and the submission of the Circular to the FCA pursuant to the terms of the Sponsor Agreement.

Under the terms of the Sponsor Agreement, the Sponsor is granted all powers, authorities and discretions which are necessary for or incidental to the performance of its responsibilities under the Listing Rules. The Company has also agreed to deliver certain documents to the Sponsor relating to the Circular and the Sponsor's responsibilities under the Listing Rules, and to provide the Sponsor with certain customary indemnities, undertakings, representations and warranties.

In addition, the Sponsor Agreement provides the Sponsor with the right to terminate the Sponsor Agreement in certain circumstances. These circumstances include: (i) the Circular is discovered to be untrue, inaccurate or misleading in a manner which is material in the context of the Proposed Transaction; and (ii) if the Company breaches any of the warranties or undertakings contained in the Sponsor Agreement, where the effect of such breach, in the opinion of the Sponsor (acting in good faith) is material in the context of the Proposed Transaction.

The Company has agreed to comply with the Listing Rules and to pay a fee to the Sponsor on terms agreed between the Sponsor and the Company.

## 7.2 Tuffnells Group

The following contracts represent (i) each material contract, other than any contract entered into in the ordinary course of business, to which any member of Tuffnells Group is a party, for the two years immediately preceding publication of this document; and (ii) any other contract (not being a contract entered into in the ordinary course of business) entered into by any member of the Tuffnells Group which contains any provision under which any member of the Tuffnells Group has any obligation or entitlement which is material to the Tuffnells Group as at the date of this document:

### 7.2.1 Sale and Leaseback Agreements

TPE entered into the Sale and Leaseback Transactions between 20 September 2019 to 18 November 2019 comprising Property Sale Agreements and Lease Agreements in respect of each of the Sold Depots.

The aggregate sale consideration for the Sold Depots pursuant to the terms of the Property Sale Agreements was £15,032,000 (plus VAT).

The rent payable pursuant to each Lease Agreement can be summarised as follows:

<i>Landlord</i>	<i>Sold Depot</i>	<i>Annual Rent (plus VAT)</i>
Urban Logistics Prop Co 1 (AC) Limited	Coventry Depot – Premises lying north of Gresham Road, Bermuda Industrial Estate, Nuneaton and the land on the north side of Gresham Road, Chilvers Coton, Nuneaton	£204,941.00
Urban Logistics Prop Co 1 (AC) Limited	Newport Depot – Premises lying to the north east of the road from Pontyminster to Rogerstone, Newport	£122,782.00
Urban Logistics Prop Co 1 (AC) Limited	Plymouth Depot – Premises lying to the south of East Way, Lee Mill, Ivybridge, Plymouth	£64,122.00
Urban Logistics Prop Co 1 (AC) Limited	Andover Depot – Premises at 87 Livingstone Road, Wolworth Industrial Estate Andover	£157,427.00
Urban Logistics Prop Co 1 (AC) Limited	Perth Depot – Premises at Ruthvenfield Road, Inveralmond Industrial Estate, Perth	£84,748.00
Urban Logistics Prop Co 1 (AC) Limited	Leighton Buzzard Depot – Premises at Cherrycourt Way, Marley Industrial Estate, Leighton Buzzard LU7 4UH	£161,047.00
Real Estate Investments Group Limited	Carnforth Depot – Premises at Kellet Road Industrial Estate, Kellet Road Carnforth LA5 9XP	£40,817.00
Campus Overseas Corp	Belvedere Depot – Premises lying on the east side of Crabtree Manor Way, Erith	£245,083.00

The Annual Rent due under the leases will be reviewed on the relevant notional rent review dates, being each anniversary of the term start date for each of the respective leases, using a formula based on Retail Price Index. The rent will then be adjusted to be the higher of the rent calculated using the formula or the rent prior to the notional rent review date.

The term for each Lease Agreement is 20 years, with the exception of the Lease Agreement for the Belvedere Depot which has a lease term of 10 years.

The Company is also party to each Lease Agreement as guarantor of TPE's obligations (see paragraph 7 of Part V (Summary of the Principal Terms and Conditions of the Proposed Transaction Documents) for further details).

## **8. RELATED PARTY TRANSACTIONS**

A description of the related party transactions that the Group has entered into during the financial years ended 31 August in each of 2017, 2018 and 2019 are given in note 33 on page 113 to the Annual Report 2017, note 33 on page 113 to the Annual Report 2018, and note 33 on page 128 to the Annual Report 2019 and are hereby incorporated by reference into this document. Other than the continuation of the related party transactions disclosed in the Annual Report 2019, there have been no additional related party transactions by the Company during the period between 1 September 2019 and the Latest Practicable Date.

## **9. LITIGATION**

### **9.1 Continuing Group**

There are no, nor have there been any, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), during a period covering at least the previous 12 months prior to the publication of this document which may have, or have had in the recent past significant effects on the Company and/or the Continuing Group's financial position or profitability.

### **9.2 Tuffnells Group**

#### ***Overview***

9.2.1 Other than as set out in paragraphs 9.2.2 and 9.2.3 of this Part VI (Additional Information) of this document, there are no, nor have there been any, governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Company is aware) during a period covering at least the previous 12 months prior to the publication of this document which may have, or have had in the recent past, significant effects on the Tuffnells Group's financial position or profitability.

#### ***National Minimum Wage Investigation***

9.2.2 Following an investigation in 2017, HMRC concluded that the 'Weekly Wage Consolidation' performance bonus paid by TPE since December 2013 did not meet national minimum wage calculation requirements and as a result, in certain instances, TPE had failed to meet national minimum wage requirements.

9.2.3 In connection with this underpayment, in July 2019 TPE paid a penalty of £273,016.66 (two hundred and seventy three thousand and sixteen pounds and sixty six pence), discounted for early payment. TPE made back-payments to certain affected individuals including current employees and former employees who had confirmed bank account details or who had requested back-pay rectification payments. After TPE made certain back-pay payments to a tranche of former employees who had contacted HMRC directly, HMRC confirmed on 29 January 2020 that the matter was closed.

## 10. SIGNIFICANT CHANGES

### *The Continuing Group*

- 10.1 On 18 March 2020 the Company issued a Trading Update in light of the actions being taken around the world to contain the COVID-19 pandemic which included the following points:
- 10.1.1 The announcement made by UEFA on 17 March 2020 postponing the European Football Championship to June 2021 will impact the timing for associated football magazines and trading card sales. The Board expects the impact on profit in H2 2020 to be in the region of £1.0m to £1.5m.
- 10.1.2 As a consequence of the international measures to contain the COVID-19 pandemic, DMD (the Group's airline and travel supply business) has seen a marked softening of demand from its clients. Whilst it is too early to determine the precise impact, the Board's current expectation is that DMD will be at or around breakeven in H2 2020, representing a reduction in full year profit of around £1m.
- 10.2 Following the UK Government's introduction of further restrictions on social movement on 23 March 2020, demand for newspapers and magazines has been adversely impacted by both the restrictions on movement and the temporary closure of approximately 10% of the retailers the Board supplies, including high street and travel outlets. The situation remains fluid with the volume of newspaper sales approximately 20% to 25% lower for the two weeks following the UK Government announcement on 23 March 2020 in comparison to the same period prior to the announcement; the position with magazines, which have longer 'on-sale' periods, cannot be confirmed at this stage. In light of the revenue mix, the impact on net margin is considerably lower and Smiths News is continuing to take appropriate measures to mitigate the impact of the decline in volume on net margin, including the combining of routes and the consolidation of deliveries.
- 10.3 Overnight operations of Smiths News have been impacted by an increase in worker sickness and absence as well as the need for safeguarding procedures in what remains a highly time-sensitive distribution. Further action has been taken to temporarily close the operations and furlough all but a skeleton level of staff at both the Group's DMD business and the Group's InStore field marketing business.
- 10.4 The Group has stress tested the impact of a range of scenarios including a sustained and worsening reduction in sales. However, it is not possible to quantify with any certainty the impact of COVID-19 on Smiths News full year adjusted profit before tax.
- 10.5 Save as disclosed above, there has been no significant change in the financial performance or trading position of the Continuing Group since 31 August 2019, being the end of the last financial period for which audited financial statements on the Group were published.

### *The Tuffnells Group*

- 10.6 TPE entered into the Sale and Leaseback Transactions between 20 September 2019 to 18 November 2019 comprising Property Sale Agreements and Lease Agreements in respect of each of the Sold Depots. The aggregate sale consideration for the Sold Depots pursuant to the terms of the Property Sale Agreements was £15,032,000 (plus VAT).
- 10.7 The Tuffnells Group experienced a reduction of 25% to 32% in volumes for the two weeks following the UK Government announcement of further social movement restrictions on 23 March 2020, as compared to the same period prior to the announcement. The Board expects that business-to-consumer deliveries will see some uplift, however the overall position remains uncertain and variable by region.
- 10.8 Employees of the Tuffnells Group have also been designated as key workers for its delivery of certain medical and hygiene supplies, while the wider operations of the Tuffnells Group

are helping to free up consignment capacity elsewhere in the market. Despite the efforts of the Tuffnells Group staff, operations have been impacted by a combination of worker sickness and the need for additional safeguarding measures. Actions to mitigate the downward impact on financial performance include the temporary closure of some smaller depots, consolidation of routes, some reasonable compromises to the timing of deliveries and the furloughing of certain employees. The Tuffnells Group business model also allows for flexibility in the use of sub-contracted and agency staff.

- 10.9 Save as disclosed above, there has been no significant change in the financial performance or trading position of the Tuffnells Group since 31 August 2019, being the end of the last financial period for which the unaudited financial information on the Tuffnells Group presented in Part III (Historical Financial Information Relating to the Tuffnells Group) of this document was prepared.

## **11. WORKING CAPITAL**

The Company is of the opinion that the Continuing Group does not have sufficient working capital available for its present requirements, that is to say for at least the next 12 months from the date of this document.

As explained in the Proposed Refinancing section in Part I (Letter from the Chairman) of this document, the Facilities will reach maturity on 31 January 2021 being the date at which a working capital shortfall is anticipated to occur if the Proposed Refinancing is not agreed before that date. Currently, the Group's existing cash resources alone will not be sufficient to repay the Facilities in full on their maturity date.

Given the historical operational profitability and cash generation of the Continuing Group, the Directors are nonetheless confident of concluding the Proposed Refinancing described above prior to 31 January 2021 when the Facilities expire. Should the Proposed Refinancing not conclude and should alternative financing arrangements fail to materialise, the Board expects that there will be a working capital shortfall from 31 January 2021, that is, within twelve months of the date of this document.

Although it is not possible for the Board, particularly in light of current trading conditions and, specifically, the COVID-19 outbreak and the high levels of market volatility and uncertainty arising therefrom, to determine with absolute certainty the quantum of any forecasted working capital shortfall that may arise on expiry of the Facilities as at 31 January 2021, based on current trading expectations and existing cash resources, the Directors estimate that the total immediate shortfall at that date would be approximately £83.1m.

The Group has been in discussions with debt providers in relation to the Proposed Refinancing but the re-commencement of these discussions is subject to a number of uncertainties, particularly current market conditions relating to the COVID-19 outbreak, as described above.

In particular, the Directors consider it inappropriate at this time to enter new or extended financing arrangements that the Directors do not believe are sufficiently commercial, having regard to all the Group's stakeholders and the current market conditions. Completion of the Proposed Transaction is expected to provide a period of time up to 31 January 2021 for the Continuing Group to engage in further discussions with debt providers, in particular by virtue of the fact that the Proposed Transaction will remove a material financial drag on profitability and cash flow that currently results from the Group's ownership of the Tuffnells Group. The Group expects to conclude discussions on refinancing within the six month period leading up to expiry of the Facilities.

Taking into account the underlying profitability and cash generative nature of the Continuing Group, predominantly comprising Smiths News, which generated adjusted EBITDA of £48.6m and free cash flow of £36.8m in the year ended 31 August 2019, the Board is confident that, following Completion of the Proposed Transaction, the Continuing Group will be in a stronger position from

which to negotiate the Proposed Refinancing than would be the case either prior to the Proposed Transaction or were the Resolution not to be passed and the Proposed Transaction not to proceed.

To the extent that the Continuing Group experiences difficulties arranging the Proposed Refinancing or alternative financing prior to the Facilities reaching maturity, such that it can be anticipated that there will be a working capital shortfall, there are a number of options which the Board could consider and which the Continuing Group could seek to take if the Proposed Refinancing has not been achieved, and which the Board would expect to take during the three month period prior to the expiry of the Facilities. However none of these options give the Board reasonable confidence that these alone, without some element of refinancing of the Continuing Group's facilities which is the Company's priority action in this regard, will be capable of addressing such working capital shortfall in the time available, or at all. These include:

- **continuing and extending the current cost reduction exercise, network optimisation initiatives and optimisation of head office functions throughout the business** – following Completion of the Proposed Transaction and building on recent initiatives, the Group proposes to implement a further, extensive cost reduction and efficiency enhancement plan across the Continuing Group. In the event that the Continuing Group needs access to increased working capital, additional, wider-reaching cost reductions could be introduced. However, dependent on the extent of these cost reductions, this could result in an adverse impact on the Continuing Group's business and operations, either temporarily or over the medium term. The Board does not have reasonable confidence that this action alone would be capable of addressing the working capital shortfall in full;
- **disposing of other assets** – the Continuing Group could consider asset disposals including the ancillary businesses within the Continuing Group. However, there can be no assurance that the Continuing Group will be able to dispose of such assets on advantageous terms, or at all, nor does the Board have reasonable confidence that any such disposals would be likely to cover the anticipated working capital shortfall in full;
- **exploring alternative financing** – the Continuing Group could consider alternative means of financing, such as invoice financing, however the Board does not have reasonable confidence that this action alone would be capable of addressing the working capital shortfall in full; and
- **exploring all strategic options for the Continuing Group** – in the event that other measures are proving difficult to implement and/or inadequate to address the anticipated working capital shortfall, the Board may, in the latter stages of the three month period referenced above, explore all strategic options for the Continuing Group including approaching shareholders for an additional injection of cash by way of equity issuance and ultimately, explore a sale of the Group. However, the Board does not have reasonable confidence in their ability to be able to deliver these options as they are dependent on, *inter alia*, prevailing market conditions and the actions of third parties.

In circumstances where the Board has been unsuccessful in negotiating the Proposed Refinancing and none of the above actions have been successful or realised or freed up sufficient cash, a working capital shortfall is expected to arise from 31 January 2021 and the Company and certain other members of the Continuing Group would be unlikely to continue as going concerns in these circumstances. If the Company cannot continue as a going concern, it would likely enter administration or another insolvency process. To the extent that such a decision remains in the Directors' control, the date on which the Directors may conclude that the Company and other members of the Continuing Group are unable to continue as going concerns will depend on, among other things, the Board's assessment of the Company's and its subsidiaries' trading positions at any time and the Company's and its subsidiaries' prospects of discharging their respective liabilities (including repayment of the Facilities on their maturity), but is likely to be on or around 31 January 2021.



## 12. CONSENTS

- 12.1 Berenberg has given and has not withdrawn its written consent to the inclusion in this document of the references to its name in the form and context in which they are included.
- 12.2 RSM Corporate Finance LLP has given, and not withdrawn, its written consent to the inclusion of its report on the unaudited pro forma financial information in Part IV (Unaudited Pro Forma Financial Information of the Continuing Group) of this document, in the form and context in which it appears.

## 13. DOCUMENTS INCORPORATED BY REFERENCE

- 13.1 The table below sets out the sections of the Annual Reports that are incorporated by reference into this document. The Annual Reports are available on the Company's website at: [www.connectgroupplc.com/investors/annual-report-and-accounts](http://www.connectgroupplc.com/investors/annual-report-and-accounts)

<i>Reference document</i>	<i>Information incorporated by reference</i>	<i>Page reference in reference document</i>	<i>Page reference in this document</i>
Annual Report 2017	Information on related party transactions included in note 33 of the consolidated audited financial statements	113	45
Annual Report 2018	Information on related party transactions included in note 33 of the consolidated audited financial statements	113	45
Annual Report 2019	Information on related party transactions included in note 33 of the consolidated audited financial statements	128	45

- 13.2 Information that is itself incorporated by reference in the above documents is not incorporated by reference into this document. Except as set forth above, no other portion of the above documents are incorporated by reference into this document and those portions which are not specifically incorporated by reference in this document are either not relevant for Shareholders or the relevant information is included elsewhere in this document.
- 13.3 Any statement contained in a document which is deemed to be incorporated by reference into this document shall be deemed to be modified or superseded for the purposes of this document to the extent that a statement contained into this document (or in a later document which is incorporated by reference into this document) modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this document.

## 14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection on the Company's website ([www.connectgroupplc.com](http://www.connectgroupplc.com)) and may, subject to COVID-19 restrictions and guidance followed by the Company, be physically inspected at the offices of the Company at Rowan House, Cherry Orchard North, Kembrey Park, Swindon, SN2 8UH during usual business hours on any weekday (excluding Saturdays, Sundays and public holidays) from the date of this document up to and including the date of the General Meeting and for the duration of the General Meeting:

- (a) the Company's Articles of Association;
- (b) the Annual Report 2017, Annual Report 2018 and Annual Report 2019;

- (c) the consent letters referred to in paragraph 12 of this Part VI (Additional Information) of this document;
- (d) the report by RSM Corporate Finance LLP set out in Part IV (Unaudited Pro Forma Financial Information of the Continuing Group) of this document;
- (e) this document;
- (f) the Form of Proxy; and
- (g) the Share Purchase Agreement.

Dated 15 April 2020

## PART VII

### DEFINITIONS

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

<b>Annual Reports</b>	the Annual Report 2017, Annual Report 2018, and Annual Report 2019
<b>Annual Report 2017</b>	the annual report and consolidated audited financial statements of the Company for the period ending 31 August 2017
<b>Annual Report 2018</b>	the annual report and consolidated audited financial statements of the Company for the period ending 31 August 2018
<b>Annual Report 2019</b>	the annual report and consolidated audited financial statements of the Company for the period ending 31 August 2019
<b>Berenberg or Sponsor</b>	Joh. Berenberg, Gossler & Co. KG, London Branch
<b>Board</b>	the board of directors of the Company
<b>BOSS</b>	Broad Oak Support Services Limited Liability Partnership incorporated under the laws of England and Wales, company number OC334331
<b>Business Day</b>	a day (other than a Saturday, Sunday or public holiday) on which banks are generally open for business in London for the transaction of normal banking business
<b>Companies Act</b>	the Companies Act 2006, as amended from time to time
<b>Company</b>	Connect Group PLC, a public limited company incorporated in England and Wales with registered number 05195191 and whose registered office is Rowan House, Cherry Orchard North, Kembrey Park, Swindon, SN2 8UH
<b>Company's Share Schemes</b>	the Company's Long Term Incentive Plan and Save as You Earn schemes
<b>Completion</b>	completion of the Proposed Transaction as contemplated by the terms of the Share Purchase Agreement
<b>Continuing Group</b>	the Company and its subsidiaries with effect from Completion
<b>CREST</b>	the electronic transfer and settlement system for the paperless settlement of trades in listed securities operated by Euroclear
<b>CREST Manual</b>	the manual, as amended from time to time, produced by Euroclear describing the CREST system and supplied by Euroclear to users and participants thereof
<b>CREST Proxy Instruction</b>	has the meaning given to it in the Notice of General Meeting
<b>CREST Regulations</b>	the Uncertificated Securities Regulations 2001 (SI 200 No. 3755)

<b>Deed of Security</b>	the deed of security to be entered into at Completion between TPE and Smiths News Holdings and pursuant to which TPE will grant security over certain of its assets to Smiths News Holdings by way of security for the Loan Agreement
<b>Directors</b>	the directors of the Company whose names appear on page 8 of this document
<b>Disclosure Guidance and Transparency Rules</b>	the disclosure guidance and transparency rules made by the FCA under section 73A of FSMA, as amended from time to time
<b>DMD</b>	means Dawson Media Direct (DMD), the Group's specialist airline and travel point business
<b>EBITDA</b>	earnings before interest, tax, depreciation and amortisation
<b>EU</b>	the European Union
<b>EURIBOR</b>	the Euro Interbank Offered Rate, being the basic rate of interest used in lending between banks on the EU interbank market
<b>Euroclear</b>	Euroclear UK & Ireland Limited, the operator of CREST (as defined in the CREST Regulations)
<b>Facilities</b>	the Revolving Facility and the Term Facility
<b>Facility Agreement</b>	the term and multicurrency revolving facilities agreement between, amongst others, the Company and HSBC, as agent, dated 19 October 2017
<b>FCA</b>	the UK Financial Conduct Authority
<b>FCA Handbook</b>	the FCA's handbook of rules and guidance, as amended from time to time
<b>Form of Proxy</b>	the personalised Form of Proxy accompanying this document
<b>FSMA</b>	the Financial Services and Markets Act 2000, as amended from time to time
<b>General Meeting</b>	the general meeting of the Company to be held at Rowan House, Cherry Orchard North, Kembrey Park, Swindon, SN2 8UH at 10.00 a.m. on 1 May 2020, notice of which is set out in Part VIII (Notice of General Meeting) of this document, including any adjournment of it
<b>Group</b>	the Company and its subsidiaries
<b>H2 2020</b>	1 March 2020 to 31 August 2020
<b>HoldCo</b>	The Big Green Parcel Holding Company Limited, a company incorporated in England and Wales under the 1985 Act with registered number 06459283
<b>HSBC</b>	HSBC Bank plc
<b>Landlords</b>	the landlords pursuant to the Sale and Leaseback Transactions as stated as such on page 44 of this document

<b>Latest Practicable Date</b>	9 April 2020 (being the last practicable date before publication of this document)
<b>Lease Agreements</b>	the lease agreements entered into between TPE and the relevant Landlord in respect of the lease of the Sold Depots
<b>LIBOR</b>	the London Inter-bank Offered Rate, being the basic rate of interest used in lending between banks on the London interbank market
<b>Listing Rules</b>	the listing rules made by the FCA under section 73A of FSMA, as amended from time to time
<b>Loan Agreement</b>	the up to £10.5 million loan agreement to be entered into at Completion between TPE (as borrower) and Smiths News Holdings (as lender)
<b>London Stock Exchange</b>	the London Stock Exchange plc
<b>Notice of General Meeting</b>	the notice of General Meeting contained in Part VIII (Notice of General Meeting) of this document
<b>Ordinary Shares</b>	the ordinary shares of 5 pence each in the share capital of the Company
<b>Proposed Refinancing</b>	the Company's proposed refinancing of the Facilities
<b>Proposed Transaction</b>	the proposed disposal of the Tuffnells Group by way of a share sale pursuant to the terms of the Share Purchase Agreement which constitutes a class 1 transaction under the Listing Rules and requires the approval of Shareholders
<b>Property Sale Agreements</b>	the sale agreements entered into between TPE and the relevant Landlord in respect of the sale of the title interests in the Sold Depots by TPE to the relevant Landlord
<b>Purchaser</b>	Palm Bidco Limited a company incorporated and registered in England and Wales with company number 12547241 whose registered office is 10 St Bride Street, London, EC4A 4AD
<b>Registrar</b>	Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA
<b>Regulatory Information Service</b>	a regulatory information service as defined in the FCA Handbook
<b>Resolution</b>	the ordinary resolution to be proposed and considered at the General Meeting to approve the Proposed Transaction as set out in the Notice of General Meeting forming part of this document
<b>Revolving Facility</b>	has the meaning given to that term in paragraph 7.1.3 of Part VI (Additional Information) of this document
<b>Sale and Leaseback Agreements</b>	the Property Sale Agreements and the Lease Agreements
<b>Sale and Leaseback Transactions</b>	the sale and leaseback transactions as announced by the Company via a regulatory information service on 23 September 2019 and 7 November 2019 respectively

<b>Sale Shares</b>	the 2,534,879 issued ordinary shares of 10p each in the capital of HoldCo
<b>Share Purchase Agreement</b>	the conditional agreement dated 14 April 2020 between Smiths News Holdings Limited (1) and the Purchaser (2), setting out the terms and conditions upon which the Purchaser proposes to acquire the Sale Shares
<b>Shareholder</b>	a registered holder of Ordinary Shares from time to time
<b>Smiths News</b>	Smiths News Holdings and its subsidiaries
<b>Smiths News Holdings or Seller</b>	Smiths News Holdings Limited, a company incorporated and registered in England and Wales with company number 04236079 whose registered office is Rowan House Cherry Orchard North, Kembrey Park, Swindon SN2 8UH
<b>Sold Depots</b>	the eight distribution depot properties to which the Sale and Leaseback Transactions related as stated as such in Part VI (Additional Information) of this document
<b>Tax Deed</b>	the tax deed to be entered into by the Purchaser and the Seller at Completion of the Proposed Transaction
<b>Term Facility</b>	has the meaning given to it in paragraph 7.1.3 of Part VI (Additional Information) of this document
<b>TPE</b>	Tuffnells Parcels Express Limited, a company incorporated and registered in England and Wales with company number 00319964 whose registered office is Rowan House Cherry Orchard North, Kembrey Park, Swindon, United Kingdom, SN2 8UH
<b>Transaction Documents</b>	the Share Purchase Agreement (and any agreed form documents referred to therein), the Loan Agreement, the Deed of Security, the Tax Deed and the Transitional Services Agreement
<b>Transitional Services Agreement</b>	a transitional services agreement to be entered into by the Seller and TPE at Completion to provide or procure certain services for the Tuffnells Group for a limited period following Completion
<b>Tuffnells Group</b>	HoldCo and its direct and indirect subsidiaries including TPE
<b>Tuffnells Pension Scheme</b>	the TPE pension scheme governed by a trust deed and rules dated 17 July 2008, as amended from time to time
<b>TUPE</b>	the Transfer of Undertakings (Protection of Employment) Regulations 2006 (SI 2006/246) and/or similar or equivalent legislation, each as amended, consolidated modified, re-enacted or replaced from time to time
<b>UK or United Kingdom</b>	the United Kingdom of Great Britain and Northern Ireland

## **PART VIII**

### **CONNECT GROUP PLC**

(the "Company")

#### **NOTICE OF GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that a **GENERAL MEETING** of the Company will be held at 10.00 a.m. on 1 May 2020 at Rowan House, Cherry Orchard North, Kembrey Park, Swindon, SN2 8UH to consider and, if thought fit, pass the following Resolution as an ordinary resolution:

#### **ORDINARY RESOLUTION**

THAT the proposed disposal by Smiths News Holdings Limited (a wholly-owned subsidiary of the Company, with the registered number 04236079) of the entire share capital of The Big Green Parcel Holding Company Limited (a wholly-owned indirect subsidiary of the Company, with the registered number 06459283) pursuant to the Share Purchase Agreement (as defined in the circular to shareholders dated 15 April 2020, a copy of which has been produced to the meeting and initialled by the Chairman of the meeting for the purposes of identification only), in the manner and on the terms and conditions of the Share Purchase Agreement, be and is hereby approved and that the Directors be and are hereby authorised to take all such steps as may be necessary or desirable in relation thereto and to carry the same into effect with such modifications, variations, revisions or amendments (providing such modifications, variations or amendment are not of a material nature) as they shall deem necessary or desirable.

BY ORDER OF THE BOARD

**Stuart Marriner**  
*Company Secretary*

15 April 2020

Rowan House  
Cherry Orchard North  
Kembrey Park  
Swindon  
United Kingdom  
SN2 8UH

Registered in England and Wales

No. 05195191

Notes:

- 1 Shareholders are entitled to appoint one or more proxies (who need not be shareholders) to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting provided that if more than one proxy is appointed, each proxy is appointed to exercise the rights attached to a different share or shares held by the shareholder. Your proxy could be the Chairman of the meeting or another person who has agreed to attend to represent you. However, given the limitations on physical participation (see COVID-19 update below) we recommend shareholders appoint the Chairman of the meeting as their proxy, as physical attendance at the meeting by others will be restricted in line with our Articles of Association and current guidance and legislation. Your proxy must vote as you instruct and must attend the meeting for your vote to be counted.
- 2 Shareholders should use the enclosed Form of Proxy to make the appointment referred to in Note 1 above. Before completing the Form of Proxy shareholders should read the guidance notes on the Form.
- 3 As an alternative to completing and returning the printed Form of Proxy, you may submit your proxy appointment electronically by accessing the website [www.sharevote.co.uk](http://www.sharevote.co.uk), where full details of the procedure are given. You will need to have your Form of Proxy to hand when you log on as it contains information which will be required to validate your submission. For further information, see the guidance notes on the Form of Proxy.
- 4 To be valid any Form of Proxy and power of attorney or other authority, if any, under which it is signed or a notarially certified or office copy of such power or authority or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand at Equiniti Limited, at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA or at the electronic address provided on the Form of Proxy, as soon as possible and in each case no later than 10.00 a.m. on 29 April 2020 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). Completion and return of a Form of Proxy, or electronic proxy appointment, or any CREST Proxy Instruction (as described in Note 6) alone will not prevent you attending and voting at the meeting, if you wish subject to current guidance and legislation (please see the COVID-19 update below). A member must inform the Company in writing of any termination of the authority of a proxy not less than six hours before the time of the meeting.
- 5 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual (available via [www.euroclear.com](http://www.euroclear.com)). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
- 6 In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Registrar (CREST participant ID RA19) as soon as possible and in any event by 10.00 a.m. on 29 April 2020 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST application host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
- 7 CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
- 8 The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the CREST Regulations.
- 9 Any member with more than one shareholding registered in his/her name should, to the extent that such member has elected to receive copies of relevant documentation, receive only one copy of the circular to shareholders dated 15 April 2020 and one Form of Proxy. The Form of Proxy will be valid in respect of all his/her holdings. If you do not have a Form of Proxy and believe that you should have one, or if you require additional forms, please contact the Registrar on 0371 384 2771\* or from outside the UK +44 (0)121 415 7565.
- 10 Pursuant to Regulation 41 of the CREST Regulations, the Companies Act and the Articles of Association of the Company, the Company specifies that only those shareholders registered in the register of members of the Company as at 6.30 p.m. on 29 April 2020 (or 6.30 p.m. on the day that is two Business Days before any adjourned meeting)



shall be entitled to attend (either in person or by proxy) and vote at the meeting in respect of the number of shares registered in their names at that time. Changes to the register of members after 6.30 p.m. on 29 April 2020 (or 6.30 p.m. on the day that is two Business Days before any adjourned meeting) shall be disregarded in determining the right of any person to attend and vote at the meeting.

- 11 Any person to whom this Notice is sent who is a person nominated under section 146 of Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
- 12 In the absence of an agreement described in Note 11 above, the statement of the rights of shareholders in relation to the appointment of proxies in Notes 1 to 3 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.
- 13 Nominated persons are reminded that they should contact the registered holder of their shares (and not the Company) on matters relating to their investments in the Company.
- 14 Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares. However, we recommend shareholders appoint the Chairman of the meeting as their corporate representative, as physical attendance at the meeting by others will be restricted in line with our Articles of Association and current guidance and legislation.
- 15 As at 9 April 2020 (being the Latest Practicable Date prior to publication of this Notice) the Company's issued share capital consists of 247,659,200 ordinary shares carrying one vote each. Therefore the total voting rights in the Company as at 9 April 2020 are 247,659,200.
- 16 You may not use any electronic address provided either in this Notice of General Meeting or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.
- 17 Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the company or the good order of the meeting that the question be answered. Please refer to the COVID-19 update below for information about questions at the meeting.
- 18 At the meeting, shareholders vote on each resolution by way of a poll rather than a show of hands, to ensure that the final result is more democratic as the proxy votes are added to the votes of the shareholders present, who vote on all their shares (rather than one vote per shareholder).
- 19 A copy of this Notice, and other information required by section 311A of the Companies Act, can be found on the Company's website [www.connectgroupplc.com](http://www.connectgroupplc.com).

\* Lines are open from 8.30 a.m. to 5.30 p.m., Monday to Friday, excluding public holidays in England and Wales.

### **COVID-19 Update**

In light of the Government's directive limiting gatherings to no more than two persons, it has become necessary to restrict physical participation at the General Meeting in line with our Articles of Association and current guidance and legislation.

The General Meeting will be kept as concise and efficient as possible and physical attendance will be limited to the minimum number of persons to ensure the meeting is quorate and to conduct the business of the meeting. Shareholders will still be able to ask questions by email ahead of the meeting and may have limited participation at the meeting itself through an ability to listen to proceedings via a (mute only) conference telephone facility (see below).

As such, we invite shareholders to:

1. submit any questions in advance of the General Meeting. Any specific questions on the business of the General Meeting and Resolution can be submitted ahead of the General Meeting by e-mail to [Investor.Relations@connectgroupplc.com](mailto:Investor.Relations@connectgroupplc.com) (marked for the attention of the Company Secretary). We will publish these questions (other than any questions which the Directors consider to be frivolous or vexatious) and answers on our website in the lead up to, and after, the meeting.
2. participate remotely in the General Meeting, if desired, via a (mute only) conference telephone facility, details of which will be provided in advance of the meeting. Shareholders wishing to attend should register their interest with the Company beforehand via the following email address: [Investor.Relations@connectgroupplc.com](mailto:Investor.Relations@connectgroupplc.com). Information and instructions detailing how shareholders may dial in to the General Meeting will also be made available on the Company website closer to the date of the General Meeting at [www.connectgroupplc.com/investors](http://www.connectgroupplc.com/investors).

Shareholders who wish to vote are strongly encouraged to submit their votes by proxy as soon as possible and, in any event, by no later than 10.00 a.m. on Wednesday 29 April 2020. Details of how to appoint a proxy are set out in the guidance notes to this document. Given the limitations on physical participation we recommend shareholders appoint the Chairman of the meeting as their proxy, as physical attendance at the meeting by others will be restricted in line with our Articles of Association and current guidance and legislation.

**In the event that our General Meeting arrangements change, the Company will issue a further communication via a Regulatory Information Service. As such, we strongly recommend shareholders monitor such communications, which can also be found on our website at: [www.connectgroupplc.com/investors/regulatory-news](http://www.connectgroupplc.com/investors/regulatory-news).**



