

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. This document contains a proposal which, if implemented, will result in the cancellation of admission to trading of Murgitroyd Shares on AIM. If you are in any doubt as to the action you should take, you are recommended to seek your own independent financial advice immediately from an independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended), if you are resident in the United Kingdom, or, if not, from another appropriately authorised independent financial adviser.**

If you sell or have sold or otherwise transferred all of your Murgitroyd Shares, please send this document and any accompanying documents, but not the personalised Forms of Proxy, at once 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. However, such documents must not be forwarded, distributed or transmitted in, into or from any jurisdiction in which such act would constitute a violation of the relevant laws or regulations of such jurisdiction.

If you sell or have sold or transferred only part of your holding of Murgitroyd Shares, please retain these documents and consult the bank, stockbroker or other agent through whom the sale or transfer was effected. If you have recently purchased or otherwise acquired Murgitroyd Shares in certificated form, notwithstanding receipt of this document and any accompanying documents from the transferor, you should contact Murgitroyd's Registrars, Link Asset Services, at the contact details set out below, to obtain personalised Forms of Proxy.

**The release, publication or distribution of this document and/or the accompanying documents (in whole or in part) in or into jurisdictions other than the United Kingdom may be restricted by the laws of those jurisdictions and therefore persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction.**

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## **Recommended Cash Acquisition**

of

### **Murgitroyd Group PLC**

*(registered in Scotland with Company Number SC221766)*

by

### **Project Petra Bidco Limited**

*(registered in England and Wales with Company Number 12224288)*

a newly incorporated entity indirectly controlled by funds managed by  
Sovereign Capital Partners LLP

(to be effected by means of a scheme of arrangement  
under Part 26 of the Companies Act 2006)

### **Circular to shareholders and Explanatory Statement under section 897 of the Companies Act 2006, Notice of Court Meeting and Notice of General Meeting**

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**This document (including any document incorporated into it by reference) should be read as a whole, together with the accompanying Forms of Proxy. In particular, your attention is drawn to Part One (*Letter from the Chairman of Murgitroyd*) of this document, which contains the unanimous recommendation of the Directors that you vote in favour of the Scheme at the Court Meeting and the resolutions at the General Meeting. A letter from Deloitte and Nplus1 Singer explaining the Scheme is set out in Part Two (*Explanatory Statement*) of this document and constitutes an explanatory statement in compliance with section 897 of the Companies Act.**

Notices of the Court Meeting and the General Meeting, each of which will be held at the offices of Burness Paull LLP, 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ on 26 November 2019, are set out in Parts Eleven (*Notice of Court Meeting*) and Twelve (*Notice of General Meeting*) of this document. The Court Meeting is scheduled to start at 2.30 p.m. on that date and the General Meeting is scheduled to start at 2.45 p.m. on that date, or as soon thereafter as the Court Meeting is concluded or adjourned. Please also refer to page 8 of this document, which contains an indicative timetable of certain principal events in relation to the approval and implementation of the Acquisition.

**Your attention is drawn to pages 9 to 10 of this document, which explain the actions you should take in relation to the Scheme. It is very important that Scheme Shareholders use their votes so that the Court can be satisfied that there is a fair and reasonable representation of Scheme Shareholders' views at the Court Meeting. Scheme Shareholders are therefore strongly urged to complete, sign and return their Forms of Proxy as soon as possible.**

**Completing and returning the Forms of Proxy will not prevent you from attending and voting in person at either Meeting, or any adjournment of either Meeting, if you so wish and are so entitled.**

Nplus1 Singer, which is authorised and regulated by the FCA in the United Kingdom, is acting as financial adviser, nominated adviser and corporate broker exclusively for Murgitroyd and no one else in connection with the Acquisition and the matters set out in this document, and will not be responsible to any person other than Murgitroyd for providing the protections afforded to clients of Nplus1 Singer, nor for providing advice in relation to the Acquisition or any matter referred to herein. Neither Nplus1 Singer nor any of its subsidiaries, branches or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in delict, under statute or otherwise) to any person who is not a client of Nplus1 Singer in connection with this document, any statement contained herein or otherwise.

Deloitte is acting as financial adviser exclusively for Murgitroyd and no-one else in connection with the Acquisition and will not be responsible to anyone other than Murgitroyd for providing the protections offered to clients of Deloitte LLP or for providing advice in relation to the Acquisition, the contents of this document or any matters referred to in this document. Deloitte is authorised and regulated in the United Kingdom by the FCA in respect of regulated activities. Deloitte can be contacted at its principal office: 1 New Street Square, London, EC4A 3HQ.

Zeus Capital, which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively as financial adviser to Bidco and Sovereign Capital and for no one else in connection with the Acquisition or any matters referred to in this document and will not be responsible to anyone other than Bidco and Sovereign Capital for providing the protections afforded to its clients nor for providing advice in relation to the Acquisition, the contents of this document or any other matters referred to in this document.

Spectrum is acting exclusively as financial adviser to Bidco and Sovereign Capital and for no one else in connection with the Acquisition or any matters referred to in this document and will not be responsible to anyone other than Bidco and Sovereign Capital for providing the protections afforded to its clients nor for providing advice in relation to the Acquisition, the contents of this document or any other matters referred to in this document.

## **IMPORTANT NOTICE**

### **Overseas jurisdictions**

The availability of the Acquisition to Murgitroyd Shareholders who are not resident or ordinarily resident in the United Kingdom may be affected by the laws of the jurisdictions in which they are located or otherwise citizens. Persons who are not resident in the United Kingdom should inform themselves of, and observe, any applicable requirements.

The release, publication or distribution of this document in certain jurisdictions may be restricted by law. Persons who are not resident or ordinarily resident in the United Kingdom or who are subject to the laws of other jurisdictions should inform themselves of, and observe, any applicable requirements. Any failure to comply with the applicable restrictions may constitute a violation of the securities laws of any such jurisdiction. To the fullest extent permitted by applicable law, the companies and persons involved in the Acquisition disclaim any responsibility or liability for the violation of such restrictions by any person. This document has been prepared for the purposes of complying with UK law, the AIM Rules, the rules of the London Stock Exchange and the Code and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws of jurisdictions outside of the United Kingdom.

The Acquisition will not be made, directly or indirectly, in, into or from any jurisdiction where to do so would violate the laws in that jurisdiction. Accordingly, copies of this document and formal documentation relating to the Acquisition will not be, and must not be, mailed or otherwise forwarded, distributed or sent in, into or from any jurisdiction where to do so would violate the laws of that jurisdiction.

### **Notice to US Holders of Murgitroyd Shares**

Murgitroyd Shareholders in the United States should note that the Acquisition relates to the securities of a company organised under the laws of Scotland and is proposed to be effected by means of a scheme of arrangement under the Companies Act. This document and certain other documents relating to the Acquisition have been or will be prepared in accordance with Scots law, the Code and UK disclosure requirements, format and style applicable to a scheme of arrangement, all of which differ from those in the United States. A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules or the proxy solicitation rules under the US Exchange Act. Accordingly, the Acquisition is subject to the disclosure requirements of and practices applicable in the UK under the Code to schemes of arrangement, which differ from the disclosure requirements of the United States tender offer and proxy solicitation rules. However, Bidco reserves the right to implement the Acquisition by means of a Takeover Offer for the entire issued share capital of Murgitroyd as an alternative to a scheme of arrangement.

The information contained in this document has neither been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other US regulatory authority, nor have such authorities passed upon the fairness or merits of the proposal contained in this document or determined the adequacy or accuracy of the information contained herein. Any representation to the contrary is a criminal offence in the United States.

Murgitroyd's financial statements, and all financial information that is included in this document, or any other documents relating to the Acquisition, have been prepared in accordance with International Financial Reporting Standards and may not be comparable to financial statements of companies in the United States or other companies whose financial statements are prepared in accordance with US generally accepted accounting principles. US generally accepted principles differ in certain respects from International Financial Reporting Standards. None of the financial information in this document has been audited in accordance with the auditing standards generally accepted in the US or the auditing standards of the Public Company Accounting Oversight Board of the US.

If Bidco were to elect to implement the Acquisition by means of a Takeover Offer, such Takeover Offer would be made in compliance with applicable US securities laws and regulations, including to the extent applicable, Section 14(e) of the US Exchange Act and Regulation 14E thereunder, and in accordance with the Code. Such a Takeover Offer would be made in the United States by Bidco and no one else. Accordingly, the Acquisition would be subject to disclosure and other procedural requirements, including with respect to

withdrawal rights, offer timetable, settlement procedures and timing of payments that are different from those applicable under US domestic tender offer procedures and law.

The receipt of cash pursuant to the Acquisition by a Murgitroyd Shareholder in the United States as consideration for the transfer of its Murgitroyd Shares pursuant to the Scheme will likely be a taxable transaction for United States federal income tax purposes and under any applicable United States state and local income tax laws. Each Murgitroyd Shareholder in the United States is urged to consult his independent professional tax or legal adviser immediately regarding the US federal, state and local income and non-income tax consequences of the Acquisition applicable to him as well as any consequences arising under the laws of any other taxing jurisdiction.

It may be difficult for Murgitroyd Shareholders in the United States to enforce their rights and claims arising out of the US federal securities laws, since Bidco and Murgitroyd are located in a country other than the US, and some or all of their officers and directors are residents of countries other than the US. Murgitroyd Shareholders in the United States may not be able to sue a non-US company or its officers or directors in a non-US court for violations of US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgement.

In accordance with normal UK practice and consistent with Rule 14e-5(b) under the US Exchange Act, Bidco, certain affiliated companies and their nominees or brokers (acting as agents) may make certain purchases of, or arrangements to purchase, shares in Murgitroyd outside such a Takeover Offer during the period in which such a Takeover Offer would remain open for acceptance. If such purchases or arrangements to purchase were to be made, they would occur outside the US either in the open market at prevailing prices or in private transactions at negotiated prices and would comply with applicable law, including to the extent applicable, the US Exchange Act and the Code. Any information about such purchases or arrangements to purchase will be disclosed as required in the UK, will be reported to a Regulatory Information Service of the London Stock Exchange and will be available on the London Stock Exchange website at [www.londonstockexchange.com](http://www.londonstockexchange.com). This information will be publicly disclosed in the US to the extent that such information is made public in the UK.

### **Forward looking statements**

This document contains statements about Bidco and Murgitroyd that are or may be forward looking statements. All statements other than statements of historical facts included in this document may be forward looking statements. Without limitation, any statements preceded or followed by or that include the words "targets", "plans", "believes", "expects", "aims", "intends", "will", "should", "could", "would", "may", "anticipates", "estimates", "synergy", "cost-saving", "projects", "goal", "hopes", "continues", "strategy", "budget", "forecast" or "might", or words or terms of similar substance or the negative thereof, are forward looking statements. Forward looking statements include statements relating to the following: (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects; (ii) business and management strategies and the expansion and growth of Bidco's or Murgitroyd's operations and potential synergies resulting from the Acquisition; and (iii) the effects of government regulation on Bidco's or Murgitroyd's business.

Such forward looking statements involve risks and uncertainties that could significantly affect expected results and are based on certain key assumptions. Many factors could cause actual results to differ materially from those projected or implied in any forward looking statements. Due to such uncertainties and risks, no assurances can be given that such expectations will prove to have been correct and readers are cautioned not to place undue reliance on such forward looking statements, which speak only as of the date hereof. Neither Murgitroyd or Bidco assumes any obligation or intends publicly to update or revise any forward looking or other statements contained herein, except as required by applicable law.

There are several factors which could cause actual results to differ materially from those expressed or implied in forward-looking statements. Among the factors that could cause actual results to differ materially from those described in the forward-looking statements are the behaviour of major customers of Murgitroyd, changes in the global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations or dispositions. Readers are cautioned not to place undue reliance on these forward-looking statements, which only speak as of the date hereof.

### **Not a profit forecast**

Save where specifically stated, no statement in this document is intended as a profit forecast or profit estimate and no statement in this document should be interpreted to mean that the future earnings per share of Murgitroyd, Bidco and/or the Bidco Group as enlarged by the Acquisition for current or future financial years will necessarily match or exceed the historical or published earnings per share of Murgitroyd or Bidco.

### **Disclosure requirements of the Code**

Under Rule 8.3(a) of the Code, any person who is interested in 1 per cent. or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of: (i) the offeree company; and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 p.m. (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 p.m. (London time) on the 10th business day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in 1 per cent. or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of: (i) the offeree company; and (ii) any securities exchange offeror, save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 p.m. (London time) on the business day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Panel's website at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk), including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. If you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure, you should contact the Panel's Market Surveillance Unit on +44 (0) 20 7638 0129.

### **Electronic communications**

Please be aware that addresses, electronic addresses and certain other information provided by Murgitroyd Shareholders, persons with information rights and other relevant persons for the receipt of communications from Murgitroyd may be provided to Bidco during the offer period as required under Section 4 of Appendix 4 of the Code to comply with Rule 2.11(c).

### **Publication on website and hard copies**

A copy of this document is available free of charge (subject to any applicable restrictions with respect to persons resident in Restricted Jurisdictions) on Murgitroyd's and Bidco's websites ([www.murgitroydgroup.com](http://www.murgitroydgroup.com) and [www.sovereigncapital.co.uk](http://www.sovereigncapital.co.uk), respectively).

You may request hard copies of any document published on Murgitroyd's website in connection with the Acquisition by contacting Murgitroyd's Registrars during business hours on +44 (0) 371 664 0321 or by submitting a request in writing to Murgitroyd's Registrars at Link Asset Services, The Registry, PXS1, 34 Beckenham Road, Beckenham, Kent, BR3 4TU. You may also request that all future documents, announcements and information to be sent to you in relation to the Acquisition should be in hard copy form.

### **Rounding**

Certain figures included in this document have been subjected to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Certain words and terms used in this document are defined in Part Ten (*Definitions*) of this document. All times referred to are London time unless otherwise stated.

The date of publication of this document: 30 October 2019

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## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

The following indicative timetable sets out the expected dates for implementation of the Acquisition:

<i>Event</i>	<i>Expected time/date<sup>(1)</sup></i>
Latest time for lodging Forms of Proxy for the:	
● Court Meeting (BLUE form)	<b>2.30 p.m. on 22 November 2019<sup>(2)</sup></b>
● General Meeting (WHITE form)	<b>2.45 p.m. on 22 November 2019<sup>(3)</sup></b>
Voting Record Time	<b>6.30 p.m. on 22 November 2019<sup>(4)</sup></b>
<b>Court Meeting</b>	<b>2.30 p.m. on 26 November 2019</b>
<b>General Meeting</b>	<b>2.45 p.m. on 26 November 2019<sup>(5)</sup></b>
Court Hearing to sanction the Scheme	D <sup>(6)</sup>
Last day of dealings in, and for registration of transfers of, and disablement in CREST of, Murgitroyd Shares	D+1 <sup>(7)</sup>
Scheme Record Time	6.00 p.m. on D+1 <sup>(7)</sup>
Suspension of dealings in Murgitroyd Shares	6.00 p.m. on D+1 <sup>(7)</sup>
<b>Effective Date of the Scheme</b>	<b>D+2<sup>(7)</sup></b>
Cancellation of admission to AIM of Murgitroyd Shares	7.00 a.m. on D+3
Despatch of cheques in respect of Cash Consideration or CREST accounts credited in respect of Cash Consideration	By D+16 <sup>(7)</sup>
Latest date by which Scheme must be implemented	31 January 2020 <sup>(8)</sup>

Notes:

- (1) All times set out in this timetable refer to London time unless otherwise stated.
- (2) It is requested that BLUE Forms of Proxy for the Court Meeting be lodged by: (i) 2.30 p.m. on 22 November 2019; or (ii) if the Court Meeting is adjourned, not later than 48 hours (excluding any day which is not a Business Day) prior to the time appointed for the Court Meeting, and in each case, in accordance with the instructions on the BLUE Form of Proxy. BLUE Forms of Proxy not so lodged may be handed to Link Asset Services (on behalf of the chairman of the Court Meeting) before the start of the Court Meeting and will still be valid.
- (3) WHITE Forms of Proxy for the General Meeting must be lodged by: (i) 2.45 p.m. on 22 November 2019; or (ii) if the General Meeting is adjourned, not later than 48 hours (excluding any day which is not a Business Day) prior to the time appointed for the General Meeting, and, in each case, in accordance with the instructions on the WHITE Form of Proxy. If the WHITE Form of Proxy is not so lodged, it will be invalid.
- (4) If either the Court Meeting or the General Meeting is adjourned, the Voting Record Time for the relevant adjourned meeting will be 6.30 p.m. on the day falling two Business Days before the date of the adjourned meeting.
- (5) Or as soon thereafter as the Court Meeting shall have concluded or been adjourned.
- (6) This date is subject to change but is expected to be on or around 17 December 2019.
- (7) These times and dates are indicative only and will depend on, among other things, the dates upon which: (a) the Court sanctions the Scheme; and (b) the Conditions are satisfied or (where applicable) waived.
- (8) The latest date by which the Scheme must be implemented may be extended by agreement between Murgitroyd and Bidco with the prior consent of the Panel and the approval of the Court.

**To the extent any of the above expected dates or times change, Murgitroyd will give notice of any such changes and details of the revised dates and/or times to Murgitroyd Shareholders by issuing an announcement through a Regulatory Information Service. Murgitroyd will announce through a Regulatory Information Service key events in the Scheme process including the outcome of the Court Meeting, the General Meeting and the Sanction Hearing. If the Scheme lapses or is withdrawn all documents of title and other documents lodged will be returned as soon as practicable and in any event within 14 days of such lodging or withdrawal.**

## **ACTION TO BE TAKEN**

**It is very important that you vote.**

**If you are a registered Murgitroyd Shareholder, please check that you have received the following with this document:**

- (1) a BLUE Form of Proxy for use in respect of the Court Meeting; and
- (2) a WHITE Form of Proxy for use in respect of the General Meeting.

If you have not received these documents, please contact the relevant helpline telephone number indicated at the bottom of page 10.

### **To vote at the Meetings using the Forms of Proxy**

Whether or not you plan to attend the Meetings, please:

- (1) complete and return the BLUE Form of Proxy, in accordance with the instructions printed thereon, by post or (during normal business hours only) by hand so as to be received by Link Asset Services at The Registry, PXS1, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, so as to arrive as soon as possible but in any event by no later than 2.30 p.m. on 22 November 2019 or, if the Court Meeting is adjourned, by no later than 48 hours (excluding any day which is not a Business Day) prior to the time appointed for the Court Meeting; and
- (2) complete and return the WHITE Form of Proxy, in accordance with the instructions printed thereon, by post or (during normal business hours only) by hand so as to be received by Link Asset Services at The Registry, PXS1, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, so as to arrive as soon as possible but in any event by no later than 2.45 p.m. on 22 November 2019 or, if the General Meeting is adjourned, by no later than 48 hours (excluding any day which is not a Business Day) prior to the time appointed for the General Meeting.

Alternatively, BLUE Forms of Proxy not so lodged may be handed to Link Asset Services (on behalf of the chairman of the Court Meeting) before the start of the Court Meeting and will still be valid.

However, in the case of the General Meeting, the WHITE Form of Proxy will be valid only if it is returned by the time indicated above.

The completion and return of the BLUE Forms of Proxy or the WHITE Forms of Proxy will not prevent eligible registered Murgitroyd Shareholders from attending and voting at the Court Meeting or the General Meeting, or any adjournment thereof.

### **To vote at the Meetings using a proxy appointment through CREST:**

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. 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.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via [www.euroclear.com](http://www.euroclear.com)). 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 issuer's agent, Link Asset Services (ID RA1Q) by 2.30 p.m. on 22 November 2019 (in the case of the Court Meeting) or 2.45 p.m. on 22 November 2019 (in the case of the General Meeting) or in the case of any adjournment, not later than 48 hours (excluding any day which is not a Business Day) 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.

CREST members and, where applicable, their CREST sponsors or voting service providers, should note that Euroclear does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, 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. 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.

Murgitroyd may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

**IT IS IMPORTANT THAT, FOR THE COURT MEETING, AS MANY VOTES AS POSSIBLE ARE CAST SO THAT THE COURT MAY BE SATISFIED THAT THERE IS A FAIR AND REASONABLE REPRESENTATION OF SCHEME SHAREHOLDER OPINION. YOU ARE THEREFORE STRONGLY URGED TO COMPLETE, SIGN AND RETURN YOUR FORMS OF PROXY, OR APPOINT A PROXY ELECTRONICALLY, AS SOON AS POSSIBLE.**

**YOUR ATTENTION IS DRAWN TO NOTES TO THE FORMS OF PROXY AND THE NOTICE OF THE GENERAL MEETING ABOUT THE APPOINTMENT OF PROXIES, IN PARTICULAR ABOUT THE APPOINTMENT OF MORE THAN ONE PROXY, SET OUT IN THE NOTES TO THE FORMS OF PROXY AND THE NOTES IN RESPECT OF THE APPOINTMENT OF MULTIPLE PROXIES SET OUT IN THE NOTICE OF THE GENERAL MEETING.**

**FOR FURTHER INFORMATION** a helpline is available on **+44 (0) 371 664 0321**. Lines are open from 9.00 a.m. to 5.30 p.m. Monday to Friday (except public holidays in England and Wales). Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline is available to answer questions regarding this document, the Meetings or the completion and return of the Forms of Proxy. Please note that Link Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes.



## PART ONE

### LETTER FROM THE CHAIRMAN OF MURGITROYD

Scotland House  
165-169 Scotland Street  
Glasgow  
G5 8PL  
Scotland

#### Directors

Ian G. Murgitroyd, *Chairman and Non-Executive Director*  
G. Edward Murgitroyd, *Chief Executive*  
Gordon D. Stark, *Executive Director*  
Keith G. Young, *Finance Director*  
D. Willie MacDiarmid, *Deputy Chairman and Non-Executive Director*  
Mark N. Kemp-Gee, *Non-Executive Director*  
John H. Reid, *Non-Executive Director*  
Helga C. Chapman, *Non-Executive Director*

30 October 2019

*To the holders of Murgitroyd Shares and, for information only, to participants in the Murgitroyd Unapproved Share Schemes*

Dear Murgitroyd Shareholder

#### Recommended cash acquisition of Murgitroyd by Bidco

##### 1 Introduction

On 18 October 2019, the boards of Murgitroyd and Bidco announced that agreement had been reached on the terms of a recommended cash acquisition by which the entire issued, and to be issued, ordinary share capital of Murgitroyd will be acquired by Bidco.

The Acquisition will be effected by means of a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act. This requires the approval of Murgitroyd Shareholders at the Meetings and the sanction of the Court, as set out in more detail below.

I am writing to you on behalf of the Board to explain the background to, and terms of, the Acquisition and the reasons why the Board consider the terms of the Acquisition to be fair and reasonable and unanimously recommend that you vote in favour of the Scheme at the Court Meeting and the resolutions to be proposed at the General Meeting required to implement the Scheme, as those Directors who hold Murgitroyd Shares have irrevocably undertaken to do in respect of their entire beneficial holdings of Murgitroyd Shares.

Details of the actions you should take are set out on pages 9 to 10 of this document. The recommendation of the Directors is set out in paragraph 14 of this letter.

##### 2 Summary of the terms of the Acquisition

Under the terms of the Acquisition, which is subject to the Conditions and further terms set out in Part Four (*Conditions and certain further terms of the Scheme and the Acquisition*) of this document, Scheme Shareholders will be entitled to receive:

**675 pence in cash per Scheme Share**

The Cash Consideration:

- represents a premium of approximately 6.3 per cent. to the Closing Price per Murgitroyd Share of 635 pence on 17 October 2019 (being the last Dealing Day prior to the Announcement Date);
- represents a premium of approximately 19.4 per cent. to the volume weighted average price per Murgitroyd Share during the three month period ended on 14 October 2019 (the last Business Day prior to the commencement of the Offer Period);
- represents a premium of approximately 39.0 per cent. to the volume weighted average price per Murgitroyd Share during the twelve month period ended on 14 October 2019; and
- is equivalent to the closing price of 675 pence per Murgitroyd Share on 14 October 2019.

The Acquisition values the entire issued and to be issued share capital of Murgitroyd at approximately £62.8 million, representing a valuation of 13.8x EV/EBITDA for the financial year ended 31 May 2019 (based on net debt as at 31 May 2019) and a valuation of 20.5x P/E for the financial year ended 31 May 2019.

The Cash Consideration payable by Bidco to Murgitroyd Shareholders pursuant to the Acquisition will be funded through a combination of loan notes and share subscriptions.

An amount equal to the Cash Consideration will be drawn down from the Sovereign Investors and the majority of these funds will be subscribed by the Sovereign Investors for the issue of loan notes by Midco 1, with the balance being subscribed by the Sovereign Investors for shares in Topco. The funds will be loaned down by Topco and Midco 1 to Midco 2 and Bidco pursuant to certain intra-group loan agreements.

Zeus Capital, in its capacity as the financial adviser to Bidco, is satisfied that sufficient resources are available to Bidco to enable it to satisfy in full the Cash Consideration.

On 21 February 2019, Murgitroyd declared an interim dividend of 7.0 pence per Murgitroyd Share, which was paid to Murgitroyd Shareholders on 22 March 2019. On 17 September 2019, Murgitroyd released its final results for the year ended 31 May 2019, within which the Murgitroyd Board announced a proposed final dividend of 15.0 pence per Murgitroyd Share (the "**Final Dividend**") payable to Murgitroyd Shareholders on the register as at close of business on 11 October 2019 (the "**Dividend Record Date**"), which remains subject to approval by Murgitroyd Shareholders at the forthcoming Murgitroyd annual general meeting convened for 31 October 2019. Subject to such shareholder approval, Murgitroyd Shareholders on the register at the Dividend Record Date will be entitled to receive and retain the Final Dividend.

If any dividend and/or other distribution and/or other return of capital is authorised, declared, made or paid in respect of Murgitroyd Shares on or after the date of the Press Announcement, other than the Final Dividend, Bidco reserves the right to reduce the Acquisition price by the aggregate amount of such dividend and/or other distribution and/or other return of capital as further described in paragraph 2 of Part Two (*Explanatory Statement*) of this document.

The Scheme requires the approval of Scheme Shareholders at the Court Meeting and of Murgitroyd Shareholders at the General Meeting. You are strongly encouraged to vote at both of these Meetings in person or by proxy.

The purpose of the Court Meeting is to allow Scheme Shareholders to consider and, if thought fit, approve the Scheme. At the Court Meeting, voting will be by poll and each Scheme Shareholder present in person (including through a corporate representative) or by proxy will be entitled to one vote for each Scheme Share held. The resolutions at the Court Meeting must be approved by a majority in number of the holders of Scheme Shares present and voting, either in person or by proxy, representing three-quarters or more in value of the Scheme Shares.

The General Meeting has been convened to consider and, if thought fit, to pass the resolutions to approve: (i) the authorisation of the Directors to take all actions as they may consider necessary or appropriate to bring the Scheme into effect; (ii) certain amendments to the Articles in accordance with the terms of the Scheme; and (iii) certain amendments to the Murgitroyd Unapproved Share Schemes.

It is expected that (subject to satisfaction or (where applicable) waiver of the Conditions) the Sanction Hearing will be held on 17 December 2019 and that the Scheme will become effective in accordance with its terms

on 19 December 2019. The Conditions include, but are not limited to: (i) the Scheme being approved by the requisite majority at the Court Meeting and the General Meeting; (ii) the Scheme being sanctioned by the Court at the Sanction Hearing; and (iii) the Acquisition being approved by IPReg.

If the Scheme becomes effective, it will be binding on all Murgitroyd Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or General Meeting (and, if they attended and voted, whether or not they voted in favour), and all of the Scheme Shares will be transferred to Bidco. Murgitroyd will thus become a wholly-owned subsidiary of Bidco.

Upon the Scheme becoming effective, cheques in respect of the Cash Consideration made out in Sterling will be despatched at the Scheme Shareholders' own risk, to Scheme Shareholders (or, where appropriate, in the case of Scheme Shareholders who hold their Scheme Shares in uncertificated form (that is, through CREST), credited to their CREST accounts) within 14 days of the Effective Date.

Further details of the Court Meeting, the General Meeting and the Sanction Hearing are set out in paragraph 7 of this letter and in paragraph 11 of Part Two (*Explanatory Statement*) of this document.

### **3 Background to and reasons for the recommendation of the Acquisition**

It has now been 18 years since the share capital of Murgitroyd was first admitted to trading on AIM, over which period Murgitroyd has earned a reputation as a steady and reliable performer, delivering a total return for shareholders (including dividends) over the period since admission of approximately 615 per cent. Throughout the five financial years ended 31 May 2019, the Murgitroyd Group reported EBITDA within a range of £4.0m and £4.8m. This has been reflected in share price performance, with Murgitroyd Shares having traded substantially within the range of 450 pence to 650 pence per share since June 2014; and, over the same period, the Murgitroyd Group's progressive dividend policy has generated an increasing proportion of total shareholder return.

In recent months, as further explained under "Current trading and prospects" below, the Murgitroyd Group has experienced increased levels of activity, partly reflecting the acquisition of Chapman IP in February of this year and partly as a result of a growing case-load from major US-based corporates, including a new retained advisory relationship. While this and other client relationships have the potential to deliver significant growth in the future, there is uncertainty at the current time as to how these will actually develop.

Recent Murgitroyd Group trading statements have however also referenced both macro-economic and political uncertainties, including Brexit, and these represent a volatile backdrop against which to assess whether the recent upturn in trading activity is likely to become embedded and to engage in forward business planning. Furthermore, the impact of technology on customer behaviours which, as with other segments of the professional services sector, is an increasing feature of service delivery within the IP services segment, requires the Murgitroyd Group to continue to invest pre-emptively both in operating systems and processes and in business development headcount, primarily in the US, with a view to generating growth and defending the Murgitroyd Group's existing market position. This necessary investment is difficult to balance with the imperative to maximise near term profitability, which is a feature of life on public markets.

The Directors are also conscious that, AIM-quoted status notwithstanding, the market in Murgitroyd Shares is relatively illiquid (average daily volumes traded during the twelve month period ended 14 October 2019 were only 6,894 shares) and that the Murgitroyd family remains far and away the largest shareholder block on the Murgitroyd register. The Murgitroyd family's aggregate holding represents approximately 35.3 per cent. of the Murgitroyd Shares currently in issue, of which my personal beneficial holding is approximately 26.7 per cent. As time passes, engineering an orderly ownership transition has become an increasingly important strategic priority for the Murgitroyd Group and, in late 2017, the then Board of Murgitroyd initiated a private sale process with a view to procuring an offer or offers for the Company. This process (which did not involve Bidco) did not result in a proposed offer on terms which both commanded the support of the Murgitroyd family and which the Murgitroyd Board was willing to recommend and was terminated in September 2018.

The approach from Bidco which has culminated in the Acquisition provides that opportunity to engineer an orderly ownership transition for all shareholders in the Murgitroyd Group and the certainty of the immediate cash return under the Acquisition. The Directors' conclusion is that the Cash Consideration fairly reflects

the near term prospects for the Group and represents attractive value for Murgitroyd Shareholders. The Directors have also taken into account the following additional factors:

- their belief that operating under private equity ownership will provide the Murgitroyd Group with enhanced operational and financial flexibility enabling it more easily to continue to invest to build scale in a fast-changing market;
- the fact that Bidco attaches particular importance to the skills and experience of the Murgitroyd Group employees and management team and its belief that their continuing commitment will be a key factor in maximising the opportunities available to the Murgitroyd Group in the future under the ownership of Bidco;
- the fact that the Murgitroyd family has provided irrevocable undertakings to vote (or to procure the voting) in favour of the Scheme at the Court Meeting and the Special Resolution to be proposed at the General Meeting (or, in the event that the Acquisition is implemented by way of a Takeover Offer, to accept or procure acceptance of the Takeover Offer) in respect of their entire holdings of Murgitroyd Shares, totalling 3,181,802 Murgitroyd Shares and representing, in aggregate, approximately 35.3 per cent of the Murgitroyd Voting Shares in issue at the Last Practicable Date; and
- in light of the relative lack of liquidity (and therefore relative volatility) in Murgitroyd Shares, their view that average share price performance over an extended period is a better yardstick of underlying trading valuation than the spot price on any given day. The Acquisition represents a premium of 19.4 per cent. to the volume weighted average price per Murgitroyd Share during the three month period ended on 14 October 2019, being the last business day prior to the commencement of the Offer Period, and 39.0 per cent. to the volume weighted average price per Murgitroyd Share during the twelve month period ended on the 14 October 2019.

Accordingly, taking into account the factors outlined above, the Directors believe that Murgitroyd Shareholders should have the opportunity to realise their investment in Murgitroyd on the terms proposed by Bidco.

#### **4 Irrevocable undertakings and letters of intent**

In addition to the irrevocable undertakings given by the Directors referred to in paragraph 14 of this letter, Bidco has received an irrevocable undertaking from one other Murgitroyd Shareholder to vote (or to procure the voting) in favour of the Scheme at the Court Meeting and the Special Resolution to be proposed at the General Meeting (or, in the event that the Acquisition is implemented by way of a Takeover Offer, to accept or procure acceptance of the Takeover Offer) in respect of a total of 387,526 Murgitroyd Shares, representing, in aggregate, approximately 4.3 per cent. of the Murgitroyd Voting Shares in issue as at the Last Practicable Date.

All of the irrevocable undertakings received, in respect of a total of 3,186,827 Murgitroyd Shares representing in aggregate approximately 35.4 per cent., remain binding in the event of a higher offer being received for the Murgitroyd Shares.

In addition, Bidco and/or Sovereign have received letters of intent from certain other Murgitroyd Shareholders to vote (or to procure the voting) in favour of the Scheme at the Court Meeting and the Special Resolution to be proposed at the General Meeting (or, in the event that the Acquisition is implemented by way of a Takeover Offer, to accept or procure acceptance of the Takeover Offer) in respect of a total of 1,753,072 Murgitroyd Shares, representing, in aggregate, approximately 19.5 per cent. of the Murgitroyd Voting Shares in issue as at the Last Practicable Date.

Therefore, as at the date of this document, Bidco has received irrevocable undertakings or letters of intent in respect of a total of 4,939,899 Murgitroyd Shares representing approximately 54.8 per cent. of the Murgitroyd Voting Shares in issue as at the Last Practicable Date.

Further details of the irrevocable undertakings and letters of intent are set out in paragraph 7 of Part Eight (*Additional Information*) of this document.

Copies of the irrevocable undertakings and letters of intent are on display on Murgitroyd's and Bidco's websites ([www.murgitroydgroup.com](http://www.murgitroydgroup.com) and [www.sovereigncapital.co.uk](http://www.sovereigncapital.co.uk), respectively) until the Effective Date or the date on which the Scheme lapses or is withdrawn, whichever is earlier.

## **5 Directors, management, employees, pensions, research and development, locations of business and strategic plans**

As referred to in paragraph 3 of this letter, Bidco intends to support Murgitroyd's management to develop the Company by way of investment in staff and operational capacity to support the expansion of Murgitroyd's global operations and service offerings and by investing in the development of Murgitroyd's technology platforms, all with the aim of continuing to provide the highest quality of service to its clients.

Bidco intends to support Murgitroyd's management in pursuing a 'buy and build' strategy by identifying, assessing and financing the acquisition of complementary companies which are perceived to be value-enhancing to the overall Murgitroyd proposition likely by enhancing Murgitroyd's offering through adding new geographies and/or services.

Bidco believes that, under private ownership and supported by Sovereign's expertise and access to capital, Murgitroyd would be better able to invest in its staff, technology platforms and operational capacity. These investments would better allow Murgitroyd to capitalise on additional growth opportunities that may arise from expanding its range of service offerings and further increasing its service quality. Bidco also intends to actively monitor acquisition opportunities as they arise and pursue them with Murgitroyd where appropriate.

Bidco recognises the contribution made by the Murgitroyd management team in developing the Company and attaches great importance to their skills and experience. Bidco intends to support the wider Murgitroyd management team in the execution of their long-term strategy as set out above.

Bidco does not intend to effect any headcount reductions within Murgitroyd as a result of the Acquisition and expects that existing employees of Murgitroyd will continue to contribute to Murgitroyd's ongoing success. Bidco has confirmed that, following the Scheme becoming Effective, the existing contractual and statutory employment rights, including in relation to pensions, of Murgitroyd's management and employees will be fully safeguarded in accordance with applicable law. Bidco does not intend to make any material change to the conditions of employment or in the balance of skills and functions of the management and employees of Murgitroyd. Bidco does not intend to make any changes with regards to Murgitroyd's existing pension schemes. Bidco has not entered into, and has not had discussions on proposals to enter into, any form of incentivisation or any other arrangements with the management and employees of Murgitroyd.

It is intended that each of the non-executive directors of Murgitroyd (being Ian Murgitroyd, Willie MacDiarmid, Mark Kemp-Gee, John Reid and Helga Chapman) will resign upon and with effect from the Effective Date (or, in the event that the Acquisition is implemented by a Takeover Offer, upon or shortly following the Takeover Offer becoming or being declared wholly unconditional). Accordingly, Mark Kemp-Gee has withdrawn his previously stated intention to stand down from the Murgitroyd Board at the forthcoming Murgitroyd annual general meeting convened for 31 October 2019.

Following the Scheme becoming Effective, Bidco does not intend to make any restructurings or changes in location of Murgitroyd's headquarters and headquarter functions, operations and places of business. Bidco does not intend to make any changes in respect of the redeployment of Murgitroyd's fixed assets or the research and development functions of Murgitroyd.

Shortly after the Scheme becoming Effective, Bidco intends to partially refinance its investment in Murgitroyd using additional debt facilities. The introduction of such facilities, if put in place, will not cause any changes to the operational structure of the business or any of the other matters outlined above.

The Directors welcome Bidco's stated intentions concerning Murgitroyd management and employees, locations of business and strategic plans. In particular, the Directors are pleased that Bidco does not intend to initiate any headcount reductions within Murgitroyd as a result of the Acquisition. The Directors also welcome Bidco's confirmation that, following completion of the Acquisition, the existing contractual and statutory employment rights of all Murgitroyd management and employees will be fully safeguarded in accordance with applicable law.

## **6 Murgitroyd Unapproved Share Schemes**

Your attention is drawn to paragraph 7 of Part Two (*Explanatory Statement*) of this document, which gives further details of the effect of the Acquisition on Murgitroyd Options. Murgitroyd Optionholders will receive

separate letters explaining the effect of the Acquisition on their Murgitroyd Options and the actions they may take in respect of those Murgitroyd Options.

## **7 Meetings and action to be taken by Murgitroyd Shareholders**

Notices convening the Court Meeting and the General Meeting are set out in Parts Eleven (*Notice of Court Meeting*) and Twelve (*Notice of General Meeting*), respectively, of this document.

Please see pages 9 to 10 of this document for details of the actions to be taken by Murgitroyd Shareholders in relation to voting at the Meetings.

It is important that, for the Court Meeting in particular, as many votes as possible are cast so that the Court may be satisfied that there is a fair and reasonable representation of Scheme Shareholder opinion. You are therefore strongly urged to complete, sign and return your Forms of Proxy or appoint a proxy through CREST, as soon as possible.

## **8 Current trading and prospects**

On 17 September 2019, Murgitroyd announced its audited results for the financial year ended 31 May 2019.

In the full year to 31 May 2019, the Murgitroyd Group reported revenues of £48.0m (2018: £44.6m) and profit before tax of £4.16m (2018: underlying profit before tax of £4.08m), an increase of 2 per cent., in line with market expectations.

Reported basic earnings per Murgitroyd Share for the year ended 31 May 2019 were 11.9 per cent. higher year-on-year at 33.2 pence (2018, after exceptional item: 29.7 pence). Earnings were again strongly weighted towards the second half of the financial year, consistent with recent years.

The results statement noted that the Murgitroyd Group's trading performance in the early part of the current financial year has been strong. Since that date, the Murgitroyd Group has continued to experience increased levels of activity and it therefore remains well placed to deliver on its expectations for the financial year as a whole.

## **9 Suspension and cancellation of admission to trading**

It is intended that dealings in Murgitroyd Shares will be suspended from 6.00 p.m. (London time) on the Business Day immediately prior to the Effective Date. It is further intended that an application will be made to the London Stock Exchange for the cancellation of trading in Murgitroyd Shares on AIM, to take effect as of 7.00 a.m. (London Time) on the Business Day after the Effective Date.

With effect from and including the Effective Date, share certificates of Scheme Shareholders in respect of Scheme Shares will cease to be valid and every holder of Scheme Shares will be required, at the request of Murgitroyd, to deliver up their share certificate(s) to Murgitroyd (or to any person appointed by Murgitroyd to receive them) or, as it may direct, to destroy them. In addition, entitlements to Murgitroyd Shares held within the CREST system will be cancelled.

## **10 Overseas shareholders**

The implications of the Scheme for Murgitroyd Shareholders who are not resident in the UK may be affected by the laws of the relevant jurisdictions in which they are resident. Persons who are not resident in the United Kingdom should inform themselves of, and observe, any applicable requirements.

Murgitroyd Shareholders who are in any doubt regarding such matters should consult an appropriate independent professional adviser in the relevant jurisdiction without delay.

Further details of the implications of the Scheme for Murgitroyd Shareholders who are not resident in the UK are set out in paragraph 16 of Part Two (*Explanatory Statement*) of this document.

## 11 Action to be taken

Your attention is drawn to pages 9 to 10 of this document, which sets out in full the actions you should take in respect of voting on the Acquisition and the Scheme.

## 12 UK Taxation

Your attention is drawn to Part Nine (*UK Taxation*) of this Document. This summary is intended as a general guide only to certain aspects of the UK tax consequences of the Acquisition. If you are in any doubt as to your tax position, or if you are subject to taxation in any jurisdiction other than the UK, you should consult an appropriate independent professional tax adviser.

## 13 Further information

Your attention is drawn to the letter from Deloitte and Nplus1 Singer set out in Part Two (*Explanatory Statement*) of this document, which gives further details about the Acquisition and the terms of the Scheme. Part Three (*Frequently Asked Questions and Answers*) of this document contains some frequently asked questions and answers concerning the Acquisition. You should, however, read the whole of this document and not just rely on the information contained in this letter, in Part Two (*Explanatory Statement*) or in Part Three (*Frequently Asked Questions and Answers*) of this document.

Your attention is also drawn to the information which is incorporated by reference into this document, details of which can be found in Part Six (*Financial Information Relating to Murgitroyd*) and Part Seven (*Financial Information Relating to Bidco*) of this document. A shareholder helpline is also available to answer any further questions that you may have, the details of which are set out in full on page 10 of this document.

## 14 Recommendation

**The Directors, who have been so advised by Deloitte and Nplus1 Singer as to the financial terms of the Acquisition, consider the terms of the Acquisition to be fair and reasonable. In providing their advice to the Directors, Deloitte and Nplus1 Singer have taken into account the commercial assessments of the Directors. Deloitte and Nplus1 Singer are providing independent financial advice to the Directors for the purposes of Rule 3 of the Code.**

**Accordingly, the Directors recommend unanimously that Murgitroyd Shareholders vote or procure votes in favour of the Scheme at the Court Meeting and the Special Resolution to be proposed at the General Meeting, as the Directors have irrevocably undertaken to do (or procure to be done) in respect of their own beneficial holdings (or shareholdings they control) of 2,799,301 Murgitroyd Shares (representing, in aggregate, approximately 31.1 per cent. of the Murgitroyd Shares in issue on the Last Practicable Date). Further details of these irrevocable undertakings are contained in Part Eight (*Additional Information*) of this document.**

Yours faithfully,

**Ian G. Murgitroyd**  
Chairman

## PART TWO

### EXPLANATORY STATEMENT

(In compliance with section 897 of the Companies Act)

**Deloitte.**

**N+1 SINGER**

30 October 2019

*To Murgitroyd Shareholders and, for information only, to participants in the Murgitroyd Unapproved Share Schemes*

Dear Murgitroyd Shareholder

#### **Recommended cash acquisition of Murgitroyd by Bidco**

### **1 Introduction**

On 18 October 2019, Murgitroyd and Bidco announced that agreement had been reached on the terms of a recommended cash acquisition by which the entire issued, and to be issued, ordinary share capital of Murgitroyd will be acquired by Bidco. The Acquisition is being effected by means of a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act.

**Your attention is drawn to Part One (*Letter from the Chairman of Murgitroyd*) of this document, which forms part of this Explanatory Statement. The letter contains, among other things: (i) information on the reasons for and benefits of the Acquisition; and (ii) the unanimous recommendation by the Directors to Murgitroyd Shareholders to vote in favour of the Scheme at the Court Meeting and the resolutions at the General Meeting. That letter also states that the Directors, who have been so advised by Deloitte and Nplus1 Singer, consider the terms of the Acquisition to be fair and reasonable. In providing their advice, Deloitte and Nplus1 Singer have taken into account the commercial assessments of the Directors.**

We have been authorised by the Directors to write to you to explain the terms of the Acquisition and the Scheme and to provide you with other relevant information. Statements made in paragraph 4 of this letter, which refers to the background to, and reasons for, the Acquisition, and paragraph 3 of Part One (*Letter from the Chairman of Murgitroyd*), which refers to Bidco's intentions with regard to the management, employees, pensions and locations of the Murgitroyd business, reflect the views of the Bidco Directors.

The terms of the Scheme are set out in full in Part Five (*The Scheme of Arrangement*) of this document. Your attention is also drawn to the other parts of this document, including the information in Part Eight (*Additional Information*) of this document.

The Scheme is subject to the Conditions set out in Part Four (*Conditions and certain further terms of the Scheme and the Acquisition*) of this document being satisfied or (where applicable) waived.

Murgitroyd Shareholders should read the whole of this document before deciding whether or not to vote in favour of the Scheme and the resolutions at the Meetings.

### **2 Summary of the terms of the Acquisition**

Under the terms of the Acquisition, which is subject to the Conditions and further terms set out in Part Four (*Conditions and certain further terms of the Scheme and the Acquisition*) of this document, Scheme Shareholders will be entitled to receive:

#### **675 pence in cash per Scheme Share**

The Cash Consideration:

- represents a premium of approximately 6.3 per cent. to the Closing Price per Murgitroyd Share of 635 pence on 17 October 2019 (being the last Dealing Day prior to the Announcement Date);

- represents a premium of approximately 19.4 per cent. to the volume weighted average price per Murgitroyd Share during the three month period ended on 14 October 2019 (the last Business Day prior to the commencement of the Offer Period);
- represents a premium of approximately 39.0 per cent. to the volume weighted average price per Murgitroyd Share during the twelve month period ended on 14 October 2019; and
- is equivalent to the closing price of 675 pence per Murgitroyd Share on 14 October 2019.

The Acquisition values the entire issued and to be issued share capital of Murgitroyd at approximately £62.8 million, representing a valuation of 13.8x EV/EBITDA for the financial year ended 31 May 2019 (based on net debt as at 31 May 2019) and a valuation of 20.5x P/E for the financial year ended 31 May 2019.

On 21 February 2019, Murgitroyd declared an interim dividend of 7.0 pence per Murgitroyd Share, which was paid to Murgitroyd Shareholders on 22 March 2019. On 17 September 2019, Murgitroyd released its final results for the year ended 31 May 2019, within which the Murgitroyd Board announced the Final Dividend, payable to Murgitroyd Shareholders on the register as at close of business on the Dividend Record Date, which remains subject to approval by Murgitroyd Shareholders at the forthcoming Murgitroyd annual general meeting convened for 31 October 2019. Subject to such shareholder approval, Murgitroyd Shareholders on the register at the Dividend Record Date will be entitled to receive and retain the Final Dividend.

If any further dividend and/or other form of capital return or distribution is authorised, declared, made or paid or becomes payable in respect of the Scheme Shares on or after 18 October 2019 and prior to the Effective Date (other than the Final Dividend), the Cash Consideration payable for each Scheme Share shall be reduced by an amount equivalent to the gross amount of any such dividend and/or other form of capital return or distribution.

If the Cash Consideration for each Scheme Share is reduced by the amount of any further dividend and/or other form of capital return or distribution that has not been paid:

- any reference in this Scheme to the Cash Consideration payable under the Scheme shall be deemed a reference to the Cash Consideration as so reduced;
- Scheme Shareholders appearing on the register of members at the relevant record time as determined by the Murgitroyd Directors will be entitled to receive and retain that dividend and/or other form of capital return or distribution in respect of the Scheme Shares they hold; and
- the exercise of such rights shall not be regarded as constituting any revision or variation of the terms of the Scheme.

To the extent that any such dividend and/or capital return and/or distribution is declared, made, paid or becomes payable and it is: (i) transferred pursuant to the Scheme on a basis which entitles Bidco to receive and retain it; or (ii) cancelled in full prior to payment, the Cash Consideration to be delivered by Bidco will not be subject to change in accordance with this paragraph two.

The Scheme requires the approval of Scheme Shareholders at the Court Meeting and Murgitroyd Shareholders at the General Meeting. You are strongly encouraged to vote at both of these Meetings in person or by proxy.

It is expected that (subject to satisfaction or waiver (where applicable) of the Conditions) the Sanction Hearing will be held on 17 December 2019 and that the Scheme will become effective in accordance with its terms on 19 December 2019.

If the Scheme becomes effective, it will be binding on all Murgitroyd Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the General Meeting, and all of the Scheme Shares will be transferred to Bidco. Murgitroyd will thus become a wholly-owned subsidiary of Bidco.

Upon the Scheme becoming effective, cheques in respect of the Cash Consideration made out in Sterling will be despatched at the Scheme Shareholder's own risk, to Scheme Shareholders (or, where appropriate, in the case of Scheme Shareholders who hold their Scheme Shares in uncertificated form (that is, through CREST), credited to their CREST accounts) within 14 days of the Effective Date.

The Scheme will not become effective unless all the Conditions and certain further terms set out in Part Four (*Conditions and certain further terms of the Scheme and the Acquisition*) of this document are satisfied or, where applicable, waived by 31 January 2020 or such later date (if any) as Murgitroyd and Bidco may, subject to the Code and/or with the consent of the Panel agree and (if required) the Court, approve. The Conditions include, but are not limited to:

- the approval of the Scheme by a majority in number of Murgitroyd Shareholders entitled to vote at the Court Meeting, either in person or by proxy, representing at least 75 per cent. in value of the Murgitroyd Shares voted;
- the approval by Murgitroyd Shareholders representing at least 75 per cent. of the votes cast on the Special Resolution;
- the sanction of the Scheme by the Court; and
- the approval of the Acquisition by IPReg.

### **3 Irrevocable undertakings and letters of intent**

The Directors have irrevocably undertaken to vote or procure votes in favour of the Scheme at the Court Meeting and the Special Resolution to be proposed at the General Meeting in respect of their own beneficial holdings (or shareholdings they control) of 2,799,301 Murgitroyd Shares (representing, in aggregate, approximately 31.1 per cent. of the Murgitroyd Shares in issue on the Last Practicable Date).

In addition to the irrevocable undertakings given by the Directors referred to above, Bidco has received irrevocable undertakings from one other Murgitroyd Shareholder to vote (or to procure the voting) in favour of the Scheme at the Court Meeting and the Special Resolution to be proposed at the General Meeting (or, in the event that the Acquisition is implemented by way of a Takeover Offer, to accept or procure acceptance of the Takeover Offer) in respect of a total of 387,526 Murgitroyd Shares, representing, in aggregate, approximately 4.3 per cent. of the Murgitroyd Voting Shares in issue as at the Last Practicable Date.

All of the irrevocable undertakings received, in respect of a total of 3,186,827 Murgitroyd Shares representing in aggregate approximately 35.4 per cent., remain binding in the event of a higher offer being received for the Murgitroyd Shares.

In addition, Bidco and/or Sovereign have received letters of intent from certain other Murgitroyd Shareholders to vote (or to procure the voting) in favour of the Scheme at the Court Meeting and the Special Resolution to be proposed at the General Meeting (or, in the event that the Acquisition is implemented by way of a Takeover Offer, to accept or procure acceptance of the Takeover Offer) in respect of a total of 1,753,072 Murgitroyd Shares, representing, in aggregate, approximately 19.5 per cent. of the Murgitroyd Voting Shares in issue as at the Last Practicable Date.

Therefore, as at the date of this document, Bidco has received irrevocable undertakings or letters of intent in respect of a total of 4,939,899 Murgitroyd Shares representing approximately 54.8 per cent. of the Murgitroyd Voting Shares in issue as at the Last Practicable Date.

Further details of the irrevocable undertakings and letters of intent are set out in paragraph 7 of Part Eight (*Additional Information*) of this document.

Copies of the irrevocable undertakings and letters of intent are on display on Murgitroyd's and Bidco's websites ([www.murgitroydgroup.com](http://www.murgitroydgroup.com) and [www.sovereigncapital.co.uk](http://www.sovereigncapital.co.uk), respectively) until the Effective Date or the date on which the Scheme lapses or is withdrawn, whichever is earlier.

### **4 Background to and reasons for the Acquisition**

Bidco believes that Murgitroyd has a number of highly attractive investment characteristics:

- outstanding reputation as shown by Murgitroyd receiving the highest ranking in the Financial Times 2019 survey of Europe's leading patent law firms;
- provider of both attorney-led IP services as well as IP support services, with further opportunities to expand service provision across the IP value chain; and

- a track record of executing and integrating acquisitions globally.

Bidco intends to support the Murgitroyd management team in the sustained growth of Murgitroyd by providing the backing to pursue a 'buy-and-build' strategy alongside the continued organic expansion of Murgitroyd's client base, helping to achieve greater global presence. Bidco will also support Murgitroyd management to continue to develop its technology platform and support service offerings.

Sovereign has significant prior experience in the business support services sector, most recently through its investments in Premier Park, Utility Bidder, Arachas, and Asset Control, and has a strong track record in scaling companies globally both organically and via executing strategic acquisitions.

Bidco believes that, with the support of Sovereign and together with the continuing participation of the incumbent senior management team and staff, Murgitroyd is well positioned to capitalise on the significant growth opportunities available in its end markets including the identification and execution of buy-and-build opportunities.

## **5 Information relating to Murgitroyd**

Murgitroyd is one of the largest groups of patent and trade mark attorneys in Europe, with over 70 patent and trade mark professionals and more than 200 staff based in 18 offices throughout Europe and internationally, specialising in the provision of a wide range of intellectual property services. Murgitroyd was originally founded in 1975 and was admitted to trading on AIM in November 2001.

Murgitroyd's core service offering comprises patent, trade mark and design clearances, protection, enforcement, commercialisation and maintenance; IP strategy and portfolio management; copyright advisory; domain name protection strategy; IP audit, litigation support and licensing; IP portfolio monetisation; and patent box advisory. In addition, the Murgitroyd Group offers a number of global support services, including patent renewals/annuities, European patent validation, translation, IP searches, paralegal services, global IP filing, patent drawings and IP due diligence.

In recent years, Murgitroyd has sustained a programme of investment in order to reshape the Murgitroyd Group's processes and systems to position it for growth. This programme has involved the continued development of its core technology platform to drive workflow automation and process efficiency, coupled with a growth of the Murgitroyd Group's paralegal function. The Murgitroyd Group has also driven a number of resourcing initiatives to underpin growth, including investment in growing business development teams in the US and, more recently, in the UK and Europe, and continued investment in staff development and retention, driven by culture, training and communication. In 2016, the Murgitroyd Group acquired certain trade and assets in Managua, Nicaragua, which extended the Murgitroyd Group's global support services capability, enabling it to provide services at substantially reduced cost.

Murgitroyd's office network now comprises 18 offices in 10 countries and the Board continues to review the potential to expand beyond its current core office network in Europe and the US. The current geographic spread ensures that Murgitroyd is well placed to support clients to manage Brexit-induced change and to continue to represent its clients in Europe in respect of their IP rights, as it has been doing since the referendum on the UK's membership of the European Union.

In February 2019, the Murgitroyd Group acquired Chapman IP, a European patent and trade mark attorney practice based in Southampton, with a particular focus on providing IP services to the engineering, electronics, materials science, chemistry, software and IT, technology and creative services sectors, further strengthening its UK practice.

## **6 Information relating to Sovereign Capital Partners LLP and the Bidco Group**

### *Sovereign Capital Partners LLP*

Sovereign, which is owned and controlled by its partners, including Andrew Hayden as managing partner, is a UK based private investment firm focused on mid-market leveraged buyouts of UK and European based companies. Sovereign specialises in 'buy & build' strategies and partners with investee companies and their management teams to help accelerate growth, both organically and through acquisitions. Sovereign is authorised and regulated by the Financial Conduct Authority.

Sovereign was established in 2001 and since that time has raised and managed £1.04 billion of funds, with commitments from international investors, including endowment funds, family offices and fund of funds. Sovereign invests in the education, healthcare services and business support services sectors and there are currently 15 platform investments in its portfolio.

Sovereign has raised a number of funds in their chosen sectors and has a successful track record in backing management teams and their staff to build high quality businesses and delivering returns to investors. Sovereign typically invests capital in each business, partnering management teams to help them achieve significant growth through both organic roll-out and acquisition. Alongside this, its in-house research team helps portfolio companies to source strategic acquisitions that will extend the company's service offering and geographic coverage.

Sovereign takes majority stakes and appoints representatives to the boards of all its investments to monitor each investment and represent its interests. Sovereign investment entities follow a typical private equity buyout structure, which include a mixture of equity funding and loan notes. Sovereign has been actively investing in the business support sector since 2001 and as of 30 September 2019 has deployed over £305 million to businesses within the support service sector.

### *Bidco Group*

Bidco is a private company limited by shares, incorporated on 24 September 2019 under the laws of England and Wales for the purposes of implementing the Acquisition. It is indirectly owned and controlled by Sovereign Capital IV Limited Partnership ("**SCIV LP**") a fund managed on a discretionary basis by BB Shelf 4 LLP which in turn is controlled by Sovereign. As at the date of this document, the directors of Bidco are Jeremy Morgan and Jonathan Thorne. Following completion of the Acquisition, it is intended that the directors of Bidco will be George Edward Murgitroyd, Gordon Stark and Keith Young.

Shortly following completion of the Acquisition, certain other persons and managers connected to Sovereign (together the "**Sovereign Co-Investors**") will become investors in the Bidco Group. BB Shelf 4 LLP is authorised and regulated by the Financial Conduct Authority. Sovereign's control of Bidco is via a series of intermediate holding companies, Topco, Midco 1 and Midco 2.

Neither Topco, Midco 1, Midco 2 or Bidco has traded since their incorporation and the only obligations each has entered into are in connection with implementing the Acquisition.

## **7 Murgitroyd Unapproved Share Schemes**

The Acquisition will affect the Murgitroyd Optionholders. A summary of the impact of the Acquisition is as follows:

- Murgitroyd Options normally become exercisable after three years, subject to the satisfaction of the applicable performance conditions being met.
- Murgitroyd Optionholders, who hold Murgitroyd Options that have not yet become exercisable, will have the option to exercise those Murgitroyd Options in full, conditional on the Court sanctioning the Scheme. For those Murgitroyd Optionholders that decide to participate in the Scheme, the Board has agreed to waive the exercise conditions that apply to their Murgitroyd Options so that they become exercisable in full upon the Court sanctioning the Scheme.
- Murgitroyd Options that have already become exercisable can be exercised by Murgitroyd Optionholders (to the extent not already exercised or lapsed) at any time no later than the Scheme Record Time or in the same manner as Murgitroyd Options which have not yet become exercisable.
- In order to ensure that all of the Murgitroyd Options either: (i) are exercised; or (ii) lapse, on the Scheme Record Time, the Murgitroyd Directors propose to amend the rules of the Murgitroyd Unapproved Share Schemes. To the extent the amendments are approved by way of an ordinary resolution at the General Meeting, the amended rules will provide that in the event of the Court sanctioning the Scheme, the Murgitroyd Options will no longer be exercisable after the Scheme Record Time. If not exercised before the Scheme Record Time, the Murgitroyd Options shall lapse. Currently, the rules allow for the Murgitroyd Options to be exercised within the period of 6 months following the Court sanctioning the Scheme.

- The Murgitroyd Directors further propose to amend the rules of the Murgitroyd Unapproved Share Schemes to allow the exercise of the Murgitroyd Options to take place on a cashless basis. To the extent this amendment is approved by way of an ordinary resolution at the General Meeting, eligible Murgitroyd Optionholders that elect to participate in the Scheme in relation to Murgitroyd Options where the exercise price of the Murgitroyd Options does not exceed 675 pence will not be required to pay the exercise price of their Murgitroyd Options upfront, but rather the aggregate of the exercise price and any tax liability of the Murgitroyd Optionholders arising on the exercise of the Murgitroyd Options and the acquisition of the Murgitroyd Shares that Murgitroyd is required to pay will be deducted by Murgitroyd from the sums due to the Murgitroyd Optionholders on the sale of their Murgitroyd Shares.
- The cashless exercise facility will not be available for Murgitroyd Options with an exercise price in excess of 675 pence. These Murgitroyd Options shall lapse at the Scheme Record Time if not surrendered by the Murgitroyd Optionholders.
- The Directors shall notify the Murgitroyd Optionholders of such arrangements so that they may exercise their unexercised Murgitroyd Options before (to the extent Murgitroyd Options have already become exercisable), on or after the date upon which the Court sanctions the Scheme but before the Scheme Record Time.
- Once the Court has sanctioned the Scheme, the Directors shall issue the respective Murgitroyd Shares to the Murgitroyd Optionholders who elect to exercise their Murgitroyd Options pursuant to the Scheme. Murgitroyd shall be paid/retain any option exercise price and/or tax liability arising as a result of the exercise of the Murgitroyd Options and acquisition of the Murgitroyd Shares from the consideration the Murgitroyd Optionholders shall receive as a result of the disposal of their Murgitroyd Shares.
- Murgitroyd Optionholders that elect to exercise Murgitroyd Options that are already exercisable before the Scheme Record Time other than pursuant to the Scheme or already own Murgitroyd Shares following an earlier exercise of Murgitroyd Options and still hold them when the Court sanctions the Scheme will be treated in the same way as any other Murgitroyd Shareholders in respect of those Murgitroyd Shares.

Participants of the Murgitroyd Unapproved Share Schemes will be sent a letter explaining the impact of the Acquisition on the Murgitroyd Options with details of the specific proposals being made in relation to their Murgitroyd Options.

## **8 Directors and the effect of the Scheme on their interests**

Details of the interests of the Directors in Murgitroyd Shares are set out in paragraph 3 of Part Eight (*Additional Information*) of this document. Murgitroyd Shares held by the Directors will be subject to the Scheme.

Each Director who is a Murgitroyd Shareholder has undertaken to vote his Murgitroyd Shares (or where appropriate, procure or use all reasonable endeavours to procure, the voting of relevant Murgitroyd Shares) in favour of the Scheme at the Court Meeting and the resolutions at the General Meeting. Further details of these irrevocable undertakings are set out in paragraph 7 of Part Eight (*Additional Information*) of this document.

Particulars of the service contracts and letters of appointment of the Directors are set out in paragraph 5 of Part Eight (*Additional Information*) of this document.

The effect of the Scheme on the interests of the Directors does not differ from its effect on the like interests of any other person.

In common with other participants in the Murgitroyd Unapproved Share Schemes, appropriate proposals will also be made to the Directors in respect of their awards under the Murgitroyd Unapproved Share Schemes.

## **9 Financing of the Acquisition and cash confirmation**

The Cash Consideration payable by Bidco to Murgitroyd Shareholders pursuant to the Acquisition will be funded through a combination of loan notes and share subscriptions.

An amount equal to the Cash Consideration will be drawn down from the Sovereign Investors and the majority of these funds will be subscribed by the Sovereign Investors for the issue of loan notes by Midco 1, with the balance being subscribed by the Sovereign Investors for shares in Topco. The funds will be loaned down by Topco and Midco 1 to Midco 2 and Bidco pursuant to certain intra-group loan agreements.

Zeus Capital, in its capacity as the financial adviser to Bidco, is satisfied that sufficient resources are available to Bidco to enable it to satisfy in full the Cash Consideration.

## **10 Financial effects of the Acquisition on Bidco**

Bidco has no material assets or liabilities other than those described in this document in connection with the Acquisition. With effect from the Effective Date, the earnings, assets and liabilities of Bidco will therefore comprise the consolidated earnings, assets and liabilities of Murgitroyd on the Effective Date.

## **11 Structure of the Acquisition**

### ***Introduction***

The Acquisition will be effected by means of a Court-sanctioned scheme of arrangement between Murgitroyd and the Scheme Shareholders, under Part 26 of the Companies Act. The procedure involves, among other things, an application by Murgitroyd to the Court to sanction the Scheme. The purpose of the Scheme is to provide for Bidco to become the owner of the entire issued and to be issued share capital of Murgitroyd.

The Scheme is subject to the Conditions and certain further terms of the Scheme and the Acquisition contained in Part Four (*Conditions and certain further terms of the Scheme and the Acquisition*) of this document and will only become effective if, among other things, the following events occur on or before 31 January 2020 (or such later date (if any) as Bidco and Murgitroyd may, with the consent of the Panel and the Court, agree):

- a resolution to approve the Scheme is passed by a majority in number of the Scheme Shareholders present and voting (and entitled to vote) at the Court Meeting, either in person or by proxy, representing three-quarters or more in value of the Scheme Shares held by those Scheme Shareholders;
- the Special Resolution necessary to implement the Scheme is passed by the requisite majority of Murgitroyd Shareholders required to pass such a resolution at the General Meeting;
- the Scheme is sanctioned (with or without modification, on terms agreed by Bidco and Murgitroyd) by the Court; and
- a certified copy of the Court Order is delivered to the Registrar of Companies for registration.

Upon the Scheme becoming effective: (i) it will be binding on all Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the General Meeting (and, if they attended and voted, whether or not they voted in favour); and (ii) share certificates in respect of Murgitroyd Shares will cease to be valid and entitlements to Murgitroyd Shares held within the CREST system will be cancelled.

Subject to the fulfilment of the conditions set out above, the Conditions and certain further terms contained in Part Four (*Conditions and certain further terms of the Scheme and the Acquisition*) of this document, it is expected that the Scheme will become effective on or around 19 December 2019. However, if the Scheme does not become effective on or before the Long Stop Date, it will lapse and the Acquisition will not proceed.

### ***The Meetings***

The Court Meeting and the General Meeting are scheduled to be held at 2.30 p.m. and 2.45 p.m., respectively, on 26 November 2019 at the offices of Burness Paull LLP, 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ.

Notice of the Court Meeting is set out in Part Eleven (*Notice of Court Meeting*) and notice of the General Meeting is set out in Part Twelve (*Notice of General Meeting*) of this document. Entitlement to attend and vote at the Meetings and the number of votes which may be cast at them will be determined by reference to the register of members of Murgitroyd at 6.30 p.m. on the date which is two Business Days before the Meetings or any adjourned Meetings (as the case may be).

If the Scheme becomes effective, it will be binding on all Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the General Meeting.

Any Murgitroyd Shares held by Bidco or, otherwise, held directly or indirectly by the Sovereign Investors will not constitute Scheme Shares.

Accordingly, any member of the Bidco Group, including any Sovereign Investor, which holds Murgitroyd Shares will not be entitled to vote at the Court Meeting in respect of the Murgitroyd Shares held or acquired by or for it and will not exercise the voting rights attaching to its Murgitroyd Shares at the Court Meeting. The other Murgitroyd Shareholders will be entitled to vote at the Court Meeting.

#### *Court Meeting*

The Court Meeting is being held at the direction of the Court to seek the approval of Scheme Shareholders for the Scheme. At the Court Meeting, voting will be by way of poll and each Scheme Shareholder present in person or by proxy will be entitled to one vote for each Scheme Share held. The approval required at the Court Meeting is a majority in number of the Scheme Shareholders present and voting, either in person or by proxy, representing three-quarters or more in value of the Scheme Shares held by such holders.

It is important that, for the Court Meeting in particular, as many votes as possible are cast so that the Court may be satisfied that there is a fair and reasonable representation of Scheme Shareholder opinion. You are therefore strongly urged to complete, sign and return your Forms of Proxy or appoint a proxy electronically, as soon as possible.

#### *General Meeting*

The General Meeting has been convened to consider and, if thought fit, pass the Special Resolution (which requires votes in favour representing at least 75 per cent. of the votes cast in person or by proxy) to approve:

- (i) the authorisation of the Directors to take all actions as they may consider necessary or appropriate to bring the Scheme into effect; and
- (ii) certain amendments to the Articles as described below.

#### *Amendments to the Articles*

At the General Meeting, it is proposed to amend the Articles to ensure that any Murgitroyd Shares issued between the Voting Record Time and the Scheme Record Time will be subject to the Scheme. It is also proposed to amend the Articles so that any Murgitroyd Shares issued to any person other than Bidco or its nominee(s) at or after the Scheme Record Time will be automatically acquired by Bidco or its nominee(s) on the same terms as under the Scheme. This amendment will avoid any person (other than Bidco or its nominee(s)) holding any Murgitroyd Shares after completion of the Acquisition. Resolution 2 of the Special Resolution set out in Part Twelve (*Notice of General Meeting*) of this document seeks the approval of Murgitroyd Shareholders for such amendments.

#### **The Court Hearing**

Under the Companies Act, the Scheme also requires the sanction of the Court at the Sanction Hearing.

The Sanction Hearing is expected to be held on 17 December 2019 at the Court of Session, Parliament House, Parliament Square, Edinburgh, EH1 1RQ. Any Murgitroyd Shareholder or other person who considers that he or she has an interest in the Scheme (each an **“Interested Party”**) and who is concerned that the Scheme may adversely affect him or her is entitled to be heard by the Court, as explained below.

If an Interested Party wishes to raise concerns in relation to the Scheme with the Court or appear at the Sanction Hearing, he or she should seek independent legal advice and lodge written answers to the Petition

with the Court at Parliament House, Parliament Square, Edinburgh, EH1 1RQ within the period of time specified in the advertisement of the Petition (which is currently expected to be published on or around 2 December 2019) and pay the required fee. Written answers are a formal Court document which must comply with the rules of the Court and are normally prepared by Scottish counsel.

The Court will consider written objections which are not in the form of written answers and/or allow an Interested Party who has not lodged written answers to appear at the Sanction Hearing. Each Interested Party should note that, although the practice of the Court is to consider informal objections made in person or in writing, the decision to do so is entirely at the discretion of the Court, and that the Court may require an Interested Party to lodge written answers in order to raise objections to the Scheme and/or appear at the Sanction Hearing.

Bidco has confirmed that it will be represented by counsel at the Sanction Hearing, so as to consent to the Scheme and to undertake to the Court to be bound thereby.

The Scheme will become effective on the delivery of a certified copy of the Court Order to the Registrar of Companies for registration. This is expected to occur on or around 19 December 2019.

If the Scheme becomes effective, it will be binding on all Murgitroyd Shareholders irrespective of whether or not they attended or voted in favour of the Scheme at the Court Meeting or in favour of the Special Resolution at the General Meeting (and, if they attended, whether or not they voted in favour).

Unless the Scheme becomes effective on or before 31 January 2020, or such later date, if any, as Murgitroyd and Bidco may agree, and the Panel and the Court may allow, the Scheme will not become effective and the Acquisition will not be effected.

### ***Modifications to the Scheme***

The Scheme contains a provision for Murgitroyd and Bidco jointly to consent on behalf of all persons concerned to any modification of, or addition to, the Scheme or to any condition approved or imposed by the Court. The Court would be unlikely to approve any modification of, or addition to, or impose a condition to the Scheme which might be material to the interests of the Scheme Shareholders, unless Scheme Shareholders were informed of such modification, addition or condition. It would be a matter for the Court to decide, in its discretion, whether or not a further meeting of Scheme Shareholders should be held in these circumstances.

### ***Re-registration as a private company***

On the Effective Date, Murgitroyd will become a wholly-owned subsidiary of Bidco and share certificates in respect of Murgitroyd Shares will cease to be valid and entitlements to Murgitroyd Shares held within the CREST system will be transferred to Bidco. It is also proposed that, following the Effective Date, Murgitroyd will be re-registered as a private limited company.

### ***Confidentiality Agreement***

Sovereign and Murgitroyd entered into a confidentiality agreement on 8 August 2019 (the “**Confidentiality Agreement**”) pursuant to which Sovereign has undertaken to keep confidential (on its own behalf and as agent for certain representatives), information relating to Murgitroyd and/or the Acquisition, to use such information solely for the agreed purposes in relation to the Acquisition and not disclose it to third parties (other than to authorised recipients) unless required by law or regulation.

Pursuant to the terms of the Confidentiality Agreement, Sovereign has also agreed to customary standstill arrangements pursuant to which, without the prior written consent of Murgitroyd, it and any persons acting in concert with it will not acquire Murgitroyd Shares or any interest in Murgitroyd Shares for 12 months following the date of the Confidentiality Agreement. These restrictions fall away upon the Directors agreeing to recommend an offer for Murgitroyd by Bidco, as is set out in this document. If the Acquisition does not complete, the confidentiality obligations shall remain in force for a period of 2 years from the date of the Confidentiality Agreement.

### **Alternative means of implementing the Acquisition**

Bidco reserves the right to elect (with the consent of the Panel) to implement the Acquisition by way of a Takeover Offer (as defined in Part 28 of the Companies Act). In such event, such offer would be implemented on the same terms, so far as applicable, as those which would apply to the Scheme, subject to appropriate amendments, including (without limitation and subject to the consent of the Panel) an acceptance condition that is set at 90 per cent. (or such lesser percentage, as Bidco may decide): (i) in nominal value of the shares to which such offer relates; and (ii) of the voting rights attached to those shares, and that is subject to Bidco and/or any of its wholly-owned subsidiaries having acquired or agreed to acquire, whether pursuant to the offer or otherwise, shares carrying more than 50 per cent. of the voting rights normally exercisable at a general meeting of Murgitroyd, including, for this purpose, any such voting rights attaching to Murgitroyd Shares that are unconditionally allotted or issued before the Takeover Offer becomes or is declared unconditional as to acceptances, whether pursuant to the exercise of any outstanding subscription or conversion rights or otherwise.

If sufficient acceptances of the Takeover Offer were received and/or sufficient Murgitroyd Shares were otherwise acquired, it would be the intention of Bidco to apply the provisions of section 979 of the Companies Act to acquire compulsorily any outstanding Murgitroyd Shares to which the Takeover Offer related.

### **12 Conditions**

The Acquisition is subject to the Conditions and further terms set out in Part Four (*Conditions and certain further terms of the Scheme and the Acquisition*) of this document.

### **13 Suspension and cancellation of admission to trading**

It is intended that dealings in Murgitroyd Shares will be suspended from 6.00 p.m. (London time) on the day prior to the Effective Date. It is further intended that an application will be made to the London Stock Exchange for the cancellation of trading in Murgitroyd Shares on AIM, to take effect as of 7.00 a.m. (London Time) on the Business Day after the Effective Date.

With effect from and including the Effective Date, share certificates of Scheme Shareholders in respect of Scheme Shares will cease to be valid and every holder of Scheme Shares will be required, at the request of Murgitroyd, to deliver up their share certificate(s) to Murgitroyd (or to any person appointed by Murgitroyd to receive them) or, as it may direct, to destroy them. In addition, entitlements to Murgitroyd Shares held within the CREST system will be cancelled.

### **14 Settlement of Cash Consideration**

Subject to the Scheme becoming effective, settlement of the Cash Consideration to which any Scheme Shareholder is entitled under the Acquisition will be effected by the despatch of cheques or the crediting of CREST accounts as soon as practicable and, in any event, not later than 14 days after the Effective Date.

#### *Scheme Shares held in certificated form*

Where, at the Scheme Record Time, a Scheme Shareholder holds their Scheme Shares in certificated form (that is, not in CREST), settlement of the Cash Consideration to which such Scheme Shareholder is entitled will be despatched by first class post (or by such other method as may be approved by the Panel) to the Scheme Shareholder or its appointed agents. All such cash payments will be made in Sterling by cheque drawn on a branch of a UK clearing bank.

#### *Scheme Shares held in uncertificated form (that is, in CREST)*

Where, at the Scheme Record Time, a Scheme Shareholder holds their Scheme Shares in uncertificated form, settlement of the Cash Consideration to which such Scheme Shareholder is entitled will be transferred to such person through CREST by Bidco procuring the creation of an assured payment obligation in favour of the appropriate CREST account through which the Scheme Shareholder holds such uncertificated Murgitroyd Shares in respect of the cash consideration due to him or her.

As from the Effective Date, each holding of Murgitroyd Shares credited to any stock account in CREST will be disabled and all Murgitroyd Shares will be removed from CREST in due course.

Bidco reserves the right to settle all or any part of the consideration referred to in this paragraph, for all or any Scheme Shareholders, in the manner for Scheme Shares held in certificated form referred to in the paragraph above, if for any reason, it wishes to do so.

#### *Despatch by post*

Cheques in respect of the Cash Consideration will be despatched to the address appearing on the Murgitroyd register of members at the Scheme Record Time (or, in the case of joint holders, to the address of that joint holder whose name stands first in the said register in respect of such joint holding). Despatch will be by first class post if the registered address is located in the same country as that in which despatch is occurring, and by international standard if the registered address is not in the same country.

#### *General*

All documents and remittances sent by post will be sent at the risk of the person(s) entitled thereto.

Save with the consent of the Panel, settlement of the Cash Consideration to which any Scheme Shareholder is entitled under the Scheme will be implemented in full in accordance with the terms set out in this Part Two (*Explanatory Statement*) without regard to any lien, right of set off, counterclaim or analogous right to which Bidco may otherwise be, or claim to be, entitled against any Scheme Shareholder. This is without prejudice to Bidco's entitlement to reduce the amount of consideration payable by an amount equivalent to any dividend, other than the Final Dividend, declared or paid prior to the Effective Date and retained by any Murgitroyd Shareholder.

With effect from and including the Effective Date, share certificates of Scheme Shareholders in respect of Scheme Shares will cease to be valid and every holder of Scheme Shares will be required, at the request of Murgitroyd, to deliver up their share certificate(s) to Murgitroyd (or to any person appointed by Murgitroyd to receive them) or, as it may direct, to destroy them.

## **15 United Kingdom Taxation**

**A summary of certain relevant UK taxation matters, which is intended as a general guide only, is set out in Part Nine (*UK Taxation*) of this document. If you are in any doubt as to your tax position, or if you are subject to tax in a jurisdiction outside the UK, you should consult your independent professional adviser.**

## **16 Overseas Shareholders**

The release, publication or distribution of this document in certain jurisdictions may be restricted by law. Persons who are not resident in the United Kingdom or who are subject to other jurisdictions should inform themselves of, and observe, any applicable requirements.

The Acquisition relates to the shares of a Scottish company and is proposed to be effected by means of a scheme of arrangement under the Companies Act. Neither the proxy solicitation rules nor (unless implemented by means of a Takeover Offer) the tender offer rules under the US Exchange Act 1934, as amended, will apply to the Acquisition. Moreover, the Acquisition is subject to the disclosure requirements and practices applicable in the United Kingdom and under the Code to schemes of arrangement, which differ from the disclosure requirements of the US proxy solicitation rules and tender offer rules. If Bidco exercises its right to implement the Acquisition of the Murgitroyd Shares by way of a Takeover Offer, the Takeover Offer will be made in compliance with applicable UK and US securities laws and regulations. Financial information relating to Murgitroyd included in this document has been or will have been prepared in accordance with accounting standards applicable in the United Kingdom that may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

Unless otherwise determined by Bidco or required by the Code, and permitted by applicable law and regulation, the Acquisition will not be made available, directly or indirectly, in, into or from a Restricted

Jurisdiction where to do so would violate the laws in that jurisdiction and no person may vote in favour of the Scheme by any such use, means, instrumentality or form within a Restricted Jurisdiction or any other jurisdiction if to do so would constitute a violation of the laws of that jurisdiction. Accordingly, copies of this document and all documents relating to the Acquisition are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in, into or from a Restricted Jurisdiction where to do so would violate the laws in that jurisdiction, and persons receiving this document and all documents relating to the Acquisition (including custodians, nominees and trustees) must not mail or otherwise distribute or send them in, into or from such jurisdictions where to do so would violate the laws in that jurisdiction.

The availability of the Acquisition to Murgitroyd Shareholders who are not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions in which they are resident. Persons who are not resident in the United Kingdom should inform themselves of, and observe, any applicable requirements.

## **17 Action to be taken**

Your attention is drawn to pages 9 to 10 of this document, which sets out in full the actions you should take in respect of voting on the Acquisition and the Scheme.

## **18 Further information**

A helpline is available for Murgitroyd Shareholders on **+44 (0) 371 664 0321**. Lines are open from 9.00 a.m. to 5.30 p.m. Monday to Friday (except public holidays in England and Wales). Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline is available to answer questions regarding this document, the Meetings or the completion and return of the Forms of Proxy. However, it cannot provide advice on the merits of the Acquisition nor give any financial, legal or tax advice.

The terms of the Scheme are set out in full in Part Five (*The Scheme of Arrangement*) of this document. Your attention is also drawn to the further information contained (or incorporated by reference) in this document which forms part of this Explanatory Statement for the purposes of section 897 of the Companies Act and, in particular Part Six (*Financial and Other Information on Murgitroyd*) and Part Eight (*Additional Information*) of this document.

Yours faithfully,

**Deloitte LLP**

**Nplus1 Singer Advisory LLP**

## PART THREE

### FREQUENTLY ASKED QUESTIONS AND ANSWERS

#### **1 What is being proposed?**

Bidco has offered to acquire the entire issued and to be issued share capital of Murgitroyd. Under the terms of such offer, Bidco has agreed to pay 675 pence per Scheme Share, in cash, to Scheme Shareholders.

Further details of the terms of the Acquisition can be found at paragraph 2 of Part One (*Letter from the Chairman of Murgitroyd*) and paragraph 2 of Part Two (*Explanatory Statement*) of this document.

#### **2 Who is Bidco?**

Bidco is a private company limited by shares, incorporated on 24 September 2019 under the laws of England and Wales for the purposes of implementing the Acquisition. It is wholly owned by Midco 2 and controlled by funds managed by Sovereign. As at the date of this document, the directors of Bidco are Jonathan Thorne and Jeremy Morgan. Following completion of the Acquisition, it is intended that the directors of Bidco will be George Edward Murgitroyd, Gordon Stark and Keith Young.

Further information on Sovereign and the Bidco Group can be found at paragraph 6 of Part Two (*Explanatory Statement*) of this document.

#### **3 How is the Acquisition being effected?**

It is intended that the Acquisition will be effected by means of a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act.

The Scheme must be approved by Scheme Shareholders at a special meeting convened at the direction of the Court. The Scheme will also require the approval of Murgitroyd Shareholders at a general meeting of Murgitroyd Shareholders, to pass certain resolutions in connection with the Scheme.

If approved by Murgitroyd Shareholders, the Scheme must also be sanctioned by the Court.

Further details of the structure of the Acquisition can be found at paragraph 11 of Part Two (*Explanatory Statement*) of this document.

#### **4 When are the Meetings?**

The Court Meeting is scheduled to commence at 2.30 p.m. on 26 November 2019, and the General Meeting is scheduled to commence at 2.45 p.m. on the same date. The Court Meeting and the General Meeting will be held at the offices of Burness Paull LLP, 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ.

#### **5 Are there any conditions to the Acquisition?**

Yes, there are. As well as Murgitroyd Shareholder approval, the Acquisition is subject to a number of conditions. Please refer to Part Four (*Conditions and certain further terms of the Scheme and the Acquisition*) of this document, where the Conditions are set out in full.

#### **6 When will the Acquisition be completed?**

It is expected that (subject to satisfaction or (if applicable) waiver of the Conditions) the Sanction Hearing will be held on 17 December 2019 and that the Scheme will become effective in accordance with its terms on 19 December 2019.

If certain of the Conditions have not been satisfied by 31 January 2020, it is possible that the proposed Acquisition may be terminated or the anticipated Effective Date will be delayed.

## **7 Why will the Acquisition not complete until December if shareholder approval is given in November?**

As stated above, the Acquisition is conditional on a number of conditions, as well as the approval of the Court, which can only be obtained once such conditions are satisfied or, if appropriate, waived.

## **8 I have recently sold my shares. Do I take any action?**

If you sell or have sold or otherwise transferred all of your Murgitroyd Shares, please send this document and any accompanying documents, other than your personalised Forms of Proxy, at once 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. However, such documents must not be forwarded, distributed or transmitted in, into or from any jurisdiction in which such act would constitute a violation of the relevant laws or regulations of such jurisdiction. If you sell or have sold or transferred only part of your holding of Murgitroyd Shares, please retain the documents and consult the bank, stockbroker or other agent through whom the sale or transfer was effected.

## **9 What will be the effect of the Acquisition on my Murgitroyd Shares?**

If the Acquisition is completed, your Murgitroyd Shares will be transferred to Bidco on the Effective Date and Bidco will pay you the Cash Consideration for your Murgitroyd Shares.

## **10 When must I be on the Murgitroyd register to be eligible to receive the Cash Consideration?**

Murgitroyd Shareholders on the Murgitroyd register of members at the Scheme Record Time, which is currently expected to be 6.00 p.m. on 18 December 2019, will be eligible to receive the Cash Consideration under the terms of the Acquisition.

## **11 When and how will I receive the Cash Consideration?**

The Cash Consideration will be paid by Bidco either by cheque or by CREST payment, depending upon how you hold your Murgitroyd Shares, within 14 days of the Effective Date.

Further information on settlement of the Cash Consideration can be found at paragraph 14 of Part Two (*Explanatory Statement*) of this document.

## **12 May I buy and sell Murgitroyd Shares between now and the completion of the Acquisition?**

Yes, you can. It is currently expected that the last day of dealings in Murgitroyd Shares on AIM will be 18 December 2019.

An expected timetable of principal events in the course of the Acquisition is set out on page 8 of this document.

## **13 Do I need to vote at the Meetings?**

Your vote is very important.

As many votes as possible must be cast at the Court Meeting so that the Court may be satisfied that there is a fair and reasonable representation of Scheme Shareholder opinion.

If the Scheme becomes effective, it will be binding on all Murgitroyd Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the General Meeting and the entire issued share capital of Murgitroyd will be acquired by Bidco.

You are therefore strongly urged to complete, sign and return your Forms of Proxy or appoint a proxy through CREST as soon as possible.

#### **14 Why are the Directors recommending that I vote in favour of the Acquisition?**

The Directors, who have been so advised by Deloitte and Nplus1 Singer, consider the terms of the Acquisition to be fair and reasonable. Accordingly, the Directors recommend unanimously that Murgitroyd Shareholders vote in favour of the Scheme at the Court Meeting and the resolutions to be proposed at the General Meeting.

Further details of and background to the Directors' recommendation are set out in paragraphs 1 and 14 of Part One (Letter from the Chairman of Murgitroyd) of this document.

#### **15 Has anyone announced they will be voting in favour of the Acquisition?**

Bidco has received irrevocable undertakings from each of the Directors to vote in favour of the Scheme at the Court Meeting and in favour of the Special Resolution, in respect of a total of 2,799,301 Murgitroyd Shares, representing approximately 31.1 per cent. of the ordinary share capital of Murgitroyd in issue as at the Last Practicable Date. The irrevocable undertakings given by the Directors will remain in full force and effect if the Acquisition is effected by way of a Takeover Offer and will cease to be binding in the circumstances described in paragraph 7.2 of Part Eight (*Additional Information*) of this document.

In addition to the irrevocable undertakings given by the Directors referred to above, Bidco has received irrevocable undertakings from one other Murgitroyd Shareholder to vote (or to procure the voting) in favour of the Scheme at the Court Meeting and the Special Resolution to be proposed at the General Meeting (or, in the event that the Acquisition is implemented by way of a Takeover Offer, to accept or procure acceptance of the Takeover Offer) in respect of a total of 387,526 Murgitroyd Shares, representing, in aggregate, approximately 4.3 per cent. of the Murgitroyd Voting Shares in issue as at the Last Practicable Date.

All of the irrevocable undertakings received, in respect of a total of 3,186,827 Murgitroyd Shares representing in aggregate approximately 35.4 per cent., remain binding in the event of a higher offer being received for the Murgitroyd Shares.

In addition, Bidco and/or Sovereign have received letters of intent from certain other Murgitroyd Shareholders to vote (or to procure the voting) in favour of the Scheme at the Court Meeting and the Special Resolution to be proposed at the General Meeting (or, in the event that the Acquisition is implemented by way of a Takeover Offer, to accept or procure acceptance of the Takeover Offer) in respect of a total of 1,753,072 Murgitroyd Shares, representing, in aggregate, approximately 19.5 per cent. of the Murgitroyd Voting Shares in issue as at the Last Practicable Date.

Therefore, as at the date of this document, Bidco has received irrevocable undertakings or letters of intent in respect of a total of 4,939,899 Murgitroyd Shares representing approximately 54.8 per cent. of the Murgitroyd Voting Shares in issue as at the Last Practicable Date.

Further details of the irrevocable undertakings and letters of intent are set out in paragraph 7 of Part Eight (*Additional Information*) of this document.

Copies of the irrevocable undertakings and letters of intent are on display on Murgitroyd's and Bidco's websites ([www.murgitroydgroup.com](http://www.murgitroydgroup.com) and [www.sovereigncapital.co.uk](http://www.sovereigncapital.co.uk), respectively) until the Effective Date or the date on which the Scheme lapses or is withdrawn, whichever is earlier.

#### **16 I am a registered Murgitroyd Shareholder, how do I vote at the Meetings?**

Detailed instructions of the action that you should take are set out on pages 9 to 10 of this document.

Whether or not you intend to attend both or either of the Meetings, please complete and sign both Forms of Proxy and return them in accordance with the instructions thereon by post or (during normal business hours only) by hand to Link Asset Services at The Registry, PXS1, 34 Beckenham Road, Beckenham, Kent, BR3 4TU so as to arrive as soon as possible but in any event by no later than 48 hours (excluding any day which is not a Business Day) before the time and date fixed for the relevant Meeting (or in the case of any adjournment, not later than 48 hours (excluding any day which is not a Business Day) before the time fixed for the holding of the adjourned Meeting).

If you hold your Murgitroyd Shares through CREST, you can appoint a proxy or proxies through the CREST electronic proxy appointment service by using the procedures described in the CREST Manual.

#### **17 I want to appoint someone to attend the Meetings, how do I do this?**

Please refer to Note 2 on the Forms of Proxy. If you wish to appoint a proxy other than the Chairman of the General Meeting, please insert their name in the space provided and delete the words 'the Chairman of the Court Meeting' or 'the Chairman of the General Meeting' as the case may be. To appoint more than one proxy, you should photocopy the Form of Proxy and indicate next to the proxy's name the number of shares in relation to which you authorise them to act as your proxy. If you have appointed multiple proxies please also mark the box where indicated.

#### **18 What happens if I do not return my Forms of Proxy in time?**

If the BLUE Form of Proxy is not returned by the 2.30 p.m. on 22 November 2019, it may be handed to Link Asset Services (on behalf of the chairman of the Court Meeting) before the start of the Court Meeting and will still be valid.

However, in the case of the General Meeting, the WHITE Form of Proxy will be valid only if it is returned by 2.45 p.m. on 22 November 2019.

#### **19 What happens if I do nothing?**

If the Scheme becomes effective, it will be binding on all Murgitroyd Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the General Meeting and the entire issued share capital of Murgitroyd will be acquired by Bidco.

#### **20 Do I need to send in my share certificate(s) in respect of my Murgitroyd Shares?**

If you hold your Murgitroyd Shares in certificated form, you do not need to send in your share certificate(s). By operation of the Scheme, the Murgitroyd Shares represented by your share certificate(s) will be cancelled and the certificate(s) will no longer be valid.

#### **21 What are the tax consequences of the acquisition of my Murgitroyd Shares by Bidco?**

The tax consequences of the acquisition of your Murgitroyd Shares will depend upon your individual circumstances. Certain aspects of the expected tax consequences for certain classes of persons who are resident for UK tax purposes in the United Kingdom are set out in Part Nine (*UK Taxation*) of this document.

If you are in any doubt as to your taxation position or if you may be subject to taxation in any jurisdiction other than the United Kingdom, you should consult an appropriately qualified independent professional adviser immediately.

#### **22 What if I hold my Murgitroyd Shares in a PEP or ISA?**

Your PEP/ISA manager should notify you as to how the Acquisition affects your PEP/ISA. If you require further details you should contact your PEP/ISA manager accordingly.

#### **23 What if I am resident outside the UK?**

If you are resident outside the UK, you should read paragraph 16 of Part Two (*Explanatory Statement*) of this document.

#### **24 What if I have further questions?**

If you have further questions, please call the helpline on +44 (0) 371 664 0321. Lines are open from 9.00 a.m. to 5.30 p.m. Monday to Friday (except public holidays in England and Wales). Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes.

The helpline is available to answer questions regarding this document, the Meetings or the completion and return of the Forms of Proxy. However, it cannot provide advice on the merits of the Acquisition nor give any financial, legal or tax advice.

## **25 How do I object to the Scheme?**

If you wish to raise concerns in relation to the Scheme with the Court or appear at the Sanction Hearing, you should seek independent legal advice and lodge written answers to the Petition with the Court at Parliament House, Parliament Square, Edinburgh, EH1 1RQ within the period of time specified in the advertisement of the Petition (which is currently expected to be published on or around 2 December 2019) and pay the required fee. Written answers are a formal Court document which must comply with the rules of the Court and are normally prepared by Scottish counsel.

The Court will consider written objections which are not in the form of written answers and/or allow you, even where you have not lodged written answers, to appear at the Sanction Hearing. You should note that, although the practice of the Court is to consider informal objections made in person or in writing, the decision to do so is entirely at the discretion of the Court, and that the Court may require you to lodge written answers in order to raise objections to the Scheme and/or appear at the Sanction Hearing.

**PART FOUR**

**CONDITIONS AND CERTAIN FURTHER TERMS OF THE  
SCHEME AND THE ACQUISITION**

**A. CONDITIONS TO THE SCHEME AND ACQUISITION**

1. The Acquisition is conditional upon the Scheme becoming unconditional and becoming Effective, subject to the Code, by no later than 5p.m. on the Long Stop Date or such later date (if any) as Bidco and Murgitroyd may agree and (if required) the Panel and the Court may allow.

**Scheme Approval**

2. The Scheme shall be conditional on the following Conditions:
  - (a) the approval of the Scheme at the Court Meeting (or at any adjournment of any such meeting provided that the Court Meeting may not be adjourned beyond the 22nd day after the expected date of the Court Meeting set out in this document (or such later date, if any, as Bidco and Murgitroyd may agree and the Court may allow)) by a majority in number of the Murgitroyd Shareholders entitled to vote representing 75 per cent. or more in value (or the relevant class or classes thereof, if applicable) present and voting, either in person or by proxy;
  - (b) the Special Resolution required to approve and implement the Scheme as set out in the notice of the General Meeting (including, without limitation, to amend the Articles) being duly passed by the requisite majority required to pass such resolution at the General Meeting or at any adjournment of that meeting provided that the General Meeting may not be adjourned beyond the 22nd day after the expected date of the General Meeting set out in this document (or such later date, if any, as Bidco and Murgitroyd may agree and the Court may allow); and
  - (c) the sanction of the Scheme by the Court (without modification or with modification on terms acceptable to Bidco and Murgitroyd) and the delivery of a copy of the Scheme Court Order to the Registrar of Companies.

In addition, subject as stated in Part B below and to the requirements of the Panel and in accordance with the Code, the Acquisition will be conditional upon the following Conditions and, accordingly, the Scheme Court Order will not be delivered to the Registrar of Companies unless such Conditions have been satisfied or, where relevant, waived:

**Regulatory Approval**

3. the approval of the Acquisition by IPReg;

**Notifications, waiting periods and Authorisations**

4. all material notifications, filings or applications which are necessary or are reasonably considered necessary by Bidco having been made in connection with the Acquisition and all necessary waiting periods (including any extensions thereof) under any applicable legislation or regulation of any relevant jurisdiction reasonably deemed necessary having expired, lapsed or been terminated (as appropriate) and all necessary statutory and regulatory authorisations and consents in any relevant jurisdiction having been complied with in each case in respect of the Acquisition and its implementation and all Authorisations reasonably deemed necessary for or in respect of the Acquisition and, except pursuant to Chapter 3 of Part 28 of the Companies Act, the acquisition of any shares or other securities in, or control or management of, Murgitroyd or any other member of the Murgitroyd Group by any member of the Bidco Group having been obtained from all appropriate Third Parties or (without prejudice to the generality of the foregoing) from any person or bodies with whom any member of the Murgitroyd Group or the Bidco Group has entered into existing contractual arrangements and all such Authorisations that are necessary to carry on the business of any member of the Murgitroyd Group in any relevant jurisdiction having been obtained and all such Authorisations remaining in full force and effect at the time at which the Acquisition becomes otherwise wholly unconditional and there being no notice or

intimation of an intention to revoke, suspend, restrict, modify or not to renew such Authorisations in each case to an extent or in a manner which is material in the context of the Acquisition;

### **General antitrust and regulatory**

5. no antitrust regulator or other Third Party having given notice of a decision to take, institute, implement or having threatened any action, proceeding, suit, investigation, enquiry or reference (and in each case, not having withdrawn the same), or having required any action to be taken or otherwise having done anything, or having enacted, made or proposed any statute, regulation, decision, order or change to published practice (and in each case, not having withdrawn the same) and there not continuing to be outstanding any statute, regulation, decision or order which would or might reasonably be expected to, in any case to an extent or in a manner which is or would be material in the context of the Murgitroyd Group taken as a whole or in the context of the Acquisition:
  - (a) require, prevent or materially delay the divestiture or materially alter the terms envisaged for such divestiture by any member of the Bidco Group or by any member of the Murgitroyd Group of all or any material part of their respective businesses, assets or properties or impose any material limitation on the ability of all or any of them to conduct their respective businesses (or any part thereof) or to own, control or manage any of their assets or properties (or any part thereof);
  - (b) except pursuant to Chapter 3 of Part 28 of the Companies Act, require any member of the Bidco Group or the Murgitroyd Group to acquire or offer to acquire any shares, other securities (or the equivalent) or interest in any member of the Murgitroyd Group or any asset owned by any Third Party (other than in the implementation of the Acquisition);
  - (c) impose any material limitation on, or result in a delay in, the ability of any member of the Bidco Group directly or indirectly to acquire, hold or to exercise effectively all or any rights of ownership in respect of shares or other securities in Murgitroyd or on the ability of any member of the Murgitroyd Group or any member of the Bidco Group directly or indirectly to hold or exercise effectively all or any rights of ownership in respect of shares or other securities (or the equivalent) in, or to exercise voting or management control over, any member of the Murgitroyd Group;
  - (d) otherwise materially adversely affect any or all of the business, assets, profits or trading position of any member of the Murgitroyd Group or any member of the Bidco Group;
  - (e) result in any member of the Murgitroyd Group or any member of the Bidco Group ceasing to be able to carry on business under any name under which it presently carries on business;
  - (f) make the Acquisition, its implementation or the acquisition of any shares or other securities in, or control or management of, Murgitroyd by any member of the Bidco Group void, unenforceable and/or illegal under the laws of any relevant jurisdiction, or otherwise, directly or indirectly prevent or prohibit, materially restrict, restrain, or delay or otherwise materially interfere with the implementation of, or impose additional materially adverse conditions or obligations with respect to, or otherwise materially challenge, impede, interfere or require material amendment of the Acquisition or the acquisition of any shares or other securities in, or control or management of, Murgitroyd by any member of the Bidco Group;
  - (g) require, prevent or materially delay a divestiture by any member of the Bidco Group of any shares or other securities (or the equivalent) in any member of the Murgitroyd Group or any member of the Bidco Group; or
  - (h) impose any limitation on the ability of any member of the Bidco Group or any member of the Murgitroyd Group to conduct, integrate or co-ordinate all or any part of its business with all or any part of the business of any other member of the Bidco Group and/or the Murgitroyd Group, and all applicable waiting and other time periods (including any extensions thereof) during which any such antitrust regulator or other Third Party could decide to take, institute, implement or threaten any such action, proceeding, suit, investigation, enquiry or reference or take any other step under the laws of any relevant jurisdiction in respect of the Acquisition or the acquisition of any Murgitroyd Shares or otherwise intervene having expired, lapsed or been terminated;

### **Certain matters arising as a result of any arrangement, agreement, etc.**

6. except as Disclosed, there being no provision of any arrangement, agreement, lease, licence, permit or other instrument to which any member of the Murgitroyd Group is a party or by or to which any such member or any of its assets is or may be bound, entitled or subject to or any event or circumstance which, as a consequence of the Acquisition or the proposed acquisition by any member of the Bidco Group of any shares or other securities (or the equivalent) in Murgitroyd or because of a change in the control or management of any member of the Murgitroyd Group or otherwise, would or might reasonably be expected to result in, in each case, to an extent which is material in the context of the Murgitroyd Group as a whole:
- (a) any monies borrowed by, or any other indebtedness, actual or contingent, of, or any grant available to, any member of the Murgitroyd Group being or becoming repayable, or capable of being declared repayable, immediately or before its or their stated maturity date or repayment date, or the ability of any such member to borrow monies or incur any indebtedness being withdrawn or inhibited or being capable of becoming or being withdrawn or inhibited;
  - (b) save in the ordinary course of business, the creation or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property or assets of any member of the Murgitroyd Group or any such mortgage, charge or other security interest (whenever created, arising or having arisen) being enforced or becoming enforceable;
  - (c) any such arrangement, agreement, lease, licence, permit or other instrument being terminated or becoming capable of being terminated or materially adversely modified or the rights, liabilities, obligations or interests of any member of the Murgitroyd Group being materially adversely modified or materially adversely affected or any obligation or liability arising or any material adverse action being taken or arising thereunder;
  - (d) any liability of any member of the Murgitroyd Group to make any severance, termination, bonus or other payment to any of its directors, or other officers;
  - (e) the rights, liabilities, obligations, interests or business of any member of the Murgitroyd Group or any member of the Bidco Group under any such arrangement, agreement, licence, permit, lease or instrument or the interests or business of any member of the Murgitroyd Group or any member of the Bidco Group in or with any other person or body or firm or company (or any arrangement or arrangement relating to any such interests or business) being or becoming capable of being terminated, or modified or affected in any materially adverse manner or any material onerous obligation or liability arising or any material adverse action being taken thereunder;
  - (f) any member of the Murgitroyd Group ceasing to be able to carry on business under any name under which it presently carries on business;
  - (g) the value of, or the financial or trading position of, any member of the Murgitroyd Group being prejudiced or adversely affected; or
  - (h) the creation or acceleration of any liability (actual or contingent) by any member of the Murgitroyd Group other than trade creditors or other liabilities incurred in the ordinary course of business or in connection with the Acquisition,

and, except as Disclosed, no event having occurred which, under any provision of any arrangement, agreement, licence, permit, lease or other instrument to which any member of the Murgitroyd Group is a party or by or to which any such member or any of its assets are bound, entitled or subject, would or would reasonably be expected to result in any of the events or circumstances as are referred to in Conditions 6(a) to (h);

### **Certain events occurring since 31 May 2019**

7. except as Disclosed, no member of the Murgitroyd Group having since 31 May 2019:
- (a) issued or agreed to issue or authorised or proposed or announced its intention to authorise or propose the issue, of additional shares of any class, or securities or securities convertible into, or exchangeable for, or rights, warrants or options to subscribe for or acquire, any such shares, securities or convertible securities or transferred or sold or agreed to transfer or sell or authorised or proposed the transfer or sale of Murgitroyd Shares out of treasury (except, where relevant, as between Murgitroyd and wholly-owned subsidiaries of Murgitroyd or between the wholly-owned subsidiaries of Murgitroyd and except

for the issue or transfer out of treasury of Murgitroyd Shares on the exercise of employee share options or vesting of employee share awards in the ordinary course under any share option scheme);

- (b) other than the Final Dividend, recommended, declared, paid or made or proposed to recommend, declare, pay or make any bonus, dividend or other distribution (whether payable in cash or otherwise) other than dividends (or other distributions whether payable in cash or otherwise) lawfully paid or made by any wholly-owned subsidiary of Murgitroyd to Murgitroyd or any of its wholly-owned subsidiaries;
- (c) other than pursuant to the Acquisition (and except for transactions between Murgitroyd and its wholly-owned subsidiaries or between the wholly-owned subsidiaries of Murgitroyd and transactions in the ordinary course of business) implemented, effected, authorised or announced its intention to implement, effect, authorise or propose any merger, demerger, reconstruction, amalgamation, scheme, commitment or offer or disposal of assets or shares or loan capital (or the equivalent thereof);
- (d) except for transactions between Murgitroyd and its wholly-owned subsidiaries or between the wholly-owned subsidiaries of Murgitroyd and except for transactions in the ordinary course of business disposed of, or transferred, mortgaged or created any security interest over any material asset or any right, title or interest in any asset or authorised or announced any intention to do so, in any such case to an extent which is material in the context of the Murgitroyd Group taken as a whole;
- (e) (except for transactions between Murgitroyd and its wholly-owned subsidiaries or between the wholly-owned subsidiaries of Murgitroyd) issued, authorised or announced an intention to authorise, the issue of or made any change in or to the terms of any debentures or become subject to any contingent liability or incurred or increased any indebtedness, which is material in the context of the Murgitroyd Group taken as a whole or is material in the context of the Acquisition;
- (f) entered into or varied or authorised or announced its intention to enter into or vary any contract, arrangement, agreement, transaction or commitment (whether in respect of capital expenditure or otherwise) which is of a long term, unusual or onerous nature or magnitude or which is or which involves or would reasonably be expected to involve an obligation of a nature or magnitude which is or could reasonably be expected to be restrictive on the business of any member of the Murgitroyd Group which, taken together with any other such transaction, arrangement, agreement, contract or commitment, is material in the context of the Murgitroyd Group taken as a whole;
- (g) entered into or materially varied the terms of, or made any offer (which remains open for acceptance) to enter into or vary the terms of any contract, service agreement, commitment or arrangement with any director or, except for salary increases, bonuses or variations of terms in the ordinary course, senior executive of any member of the Murgitroyd Group;
- (h) proposed, agreed to provide or modified the terms of any share option scheme, incentive scheme or other benefit constituting a material change relating to the employment or termination of employment of a material person employed by the Murgitroyd Group which in any case is material in the context of the Murgitroyd Group as a whole, other than in accordance with the terms of the Acquisition or, if required by the Code, as agreed by the Panel and/or Bidco;
- (i) purchased, redeemed or repaid or announced any proposal to purchase, redeem or repay any of its own shares or other securities or reduced or, except in respect of the matters mentioned in subparagraph (a) above, made any other change to any part of its share capital;
- (j) except in the ordinary course of business, waived, compromised or settled any claim which is material or might reasonably be expected to be material in the context of the Murgitroyd Group or in the context of the Acquisition;
- (k) terminated or varied the terms of any agreement or arrangement between any member of the Murgitroyd Group and any other person in a manner which would or might reasonably be expected to have a material adverse effect on the financial position of the Murgitroyd Group taken as a whole;
- (l) made any material alteration to its memorandum or articles of association or other incorporation documents (in each case, other than in connection with the Scheme);
- (m) except in relation to changes made or agreed as a result of, or arising from, changes to legislation, made or agreed or consented to any material change to:
  - (i) the terms of the trust deeds and rules constituting the pension scheme(s) established by any member of the Murgitroyd Group for its directors, employees or their dependants;

- (ii) the contributions payable to any such scheme(s) or to the benefits which accrue, or to the pensions which are payable, thereunder;
  - (iii) the basis on which qualification for, or accrual or entitlement to, such benefits or pensions are calculated or determined; or
  - (iv) the basis upon which the liabilities (including pensions) of such pension schemes are funded, valued, made, agreed or consented to,
- which in each case is material in the context of the Murgitroyd Group as a whole;
- (n) been unable, or admitted in writing that it is unable, to pay its debts or commenced negotiations with one or more of its creditors with a view to rescheduling or restructuring any of its indebtedness, or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease carrying on all or a substantial part of its business, in any case which is material in the context of the Murgitroyd Group taken as a whole;
  - (o) (other than in respect of a member which is dormant and was solvent at the relevant time or any intra-Murgitroyd Group transactions) taken or proposed any steps, corporate action or had any legal proceedings instituted or threatened against it in relation to the suspension of payments, a moratorium of any indebtedness, its winding-up (voluntary or otherwise), dissolution, reorganisation or for the appointment of a receiver, administrator, manager, administrative receiver, trustee or similar officer of all or any of its assets or revenues or any analogous or equivalent steps or proceedings in any jurisdiction or appointed any analogous person in any jurisdiction or had any such person appointed, in each case which is material in the context of the Murgitroyd Group taken as a whole;
  - (p) (except for transactions between Murgitroyd and its wholly-owned subsidiaries or between the wholly-owned subsidiaries), made, authorised or announced an intention to propose any change in its loan capital, in any case which is material in the context of the Murgitroyd Group;
  - (q) (except for transactions between Murgitroyd and its wholly-owned subsidiaries or between the wholly-owned subsidiaries) entered into, implemented or authorised the entry into, any joint venture, asset or profit sharing arrangement, partnership or merger of business or corporate entities, in any case which is material in the context of the Murgitroyd Group; or
  - (r) entered into any agreement, arrangement, commitment or contract or passed any resolution or made any offer (which remains open for acceptance) with respect to or announced an intention to, or to propose to, effect any of the transactions, matters or events referred to in this Condition 7;

**No adverse change, litigation, regulatory enquiry or similar**

8. except as Disclosed, since 31 May 2019 there having been:
- (a) no material adverse change and no circumstance having arisen which would or might reasonably be expected to result in any material adverse change in, the business, assets, financial or trading position or profits of any member of the Murgitroyd Group which is material in the context of the Murgitroyd Group taken as a whole or is material in the context of the Acquisition;
  - (b) no litigation, arbitration proceedings, prosecution or other legal proceedings having been threatened, announced or instituted by or against or remaining outstanding against or in respect of, any member of the Murgitroyd Group or to which any member of the Murgitroyd Group is or may become a party (whether as claimant, defendant or otherwise) having been threatened, announced, instituted or remaining outstanding by, against or in respect of, any member of the Murgitroyd Group, in each case which is or might reasonably be expected to have a material adverse effect on the Murgitroyd Group taken as a whole or is material in the context of the Acquisition;
  - (c) no enquiry, review or investigation by, or complaint or reference to, any Third Party against or in respect of any member of the Murgitroyd Group having been threatened, announced or instituted or remaining outstanding by, against or in respect of any member of the Murgitroyd Group, in each case which is or might reasonably be expected to have a material adverse effect on the Murgitroyd Group taken as a whole or is material in the context of the Acquisition;
  - (d) no contingent or other liability having arisen or become apparent to Bidco (other than in the ordinary course of business) or increased which is reasonably likely to affect adversely the business, assets, financial or trading position or profits of any member of the Murgitroyd Group to an extent which is

material in the context of the Murgitroyd Group taken as a whole or is material in the context of the Acquisition; and

- (e) no steps having been taken and no omissions having been made which are reasonably likely to result in the withdrawal, cancellation, termination or modification of any licence held by any member of the Murgitroyd Group which is necessary for the proper carrying on of its business and the withdrawal, cancellation, termination or modification of which might reasonably be expected to have a material adverse effect on the Murgitroyd Group taken as a whole or is material in the context of the Acquisition;

#### **No discovery of certain matters regarding information, liabilities and environmental issues**

- 9. except as Disclosed, Bidco not having discovered, in each case, to an extent which is material in the context of the Murgitroyd Group taken as a whole or in the context of the Acquisition, that:
  - (a) any financial, business or other information concerning the Murgitroyd Group publicly announced before the date of the Announcement or disclosed at any time to any member of the Bidco Group by or on behalf of any member of the Murgitroyd Group before the date of the Announcement is misleading, contains a material misrepresentation of any fact, or omits to state a fact necessary to make that information not misleading (and which was not subsequently publicly corrected before the date of the Announcement or otherwise to Bidco);
  - (b) any member of the Murgitroyd Group is subject to any liability, contingent or otherwise;
  - (c) any past or present member of the Murgitroyd Group has not complied in any material respect with all applicable legislation or regulations of any jurisdiction or any Authorisations relating to the use, treatment, storage, carriage, disposal, discharge, spillage, release, leak or emission of any waste or hazardous substance or any substance likely to impair the environment (including property) or harm human or animal health or otherwise relating to environmental matters or the health and safety of humans, which non-compliance would be likely to give rise to any material liability including any penalty for non-compliance (whether actual or contingent) on the part of any member of the Murgitroyd Group;
  - (d) there has been a disposal, discharge, spillage, accumulation, release, leak, emission or the migration, production, supply, treatment, storage, transport or use of any waste or hazardous substance or any substance likely to impair the environment (including any property) or harm human or animal health which (whether or not giving rise to non-compliance with any law or regulation), would be likely to give rise to any material liability (whether actual or contingent) on the part of any member of the Murgitroyd Group; or
  - (e) there is or is reasonably likely to be any obligation or liability (whether actual or contingent) or requirement to make good, remediate, repair, reinstate or clean up any property, currently or previously owned, occupied, operated or made use of or controlled by any past or present member of the Murgitroyd Group (or on its behalf), or in which any such member may have or previously have had or be deemed to have had an interest, under any environmental legislation, common law, regulation, notice, circular, Authorisation or order of any Third Party in any jurisdiction or to contribute to the cost thereof or associated therewith or indemnify any person in relation thereto;

#### **Anti-corruption, sanctions and criminal property**

- 10. except as Disclosed, Bidco not having discovered:
  - (a) any past or present member, director, officer or employee of the Murgitroyd Group is or has at any time engaged in any activity, practice or conduct would constitute an offence under the Bribery Act 2010, the US Foreign Corrupt Practices Act of 1977 or any other anti-corruption legislation applicable to the Murgitroyd Group; or (ii) any person that performs or has performed services for or on behalf of the Murgitroyd Group is or has at any time engaged in any activity, practice or conduct in connection with the performance of such services which would constitute an offence under the Bribery Act 2010, the US Foreign Corrupt Practices Act of 1977 or any other applicable anti-corruption legislation applicable to the Murgitroyd Group;
  - (b) any asset of any member of the Murgitroyd Group constitutes criminal property as defined by section 340(3) of the Proceeds of Crime Act 2002 (but disregarding paragraph (b) of that definition);
  - (c) any past or present member, director, officer or employee of the Murgitroyd Group, or any other person for whom any such person may be liable or responsible, has engaged in any business with, made any

investments in, made any funds or assets available to or received any funds or assets from: (i) any government, entity or individual in respect of which US or European Union persons, or persons operating in those territories, are prohibited from engaging in activities or doing business, or from receiving or making available funds or economic resources, by applicable US or European Union laws or regulations, including the economic sanctions administered by the United States Office of Foreign Assets Control or HM Treasury & Customs; or (ii) any government, entity or individual targeted by any of the economic sanctions of the United Nations, the United States, the European Union or any of their respective member states; or

- (d) a member of the Murgitroyd Group has engaged in any transaction which would cause any member of the Bidco Group to be in breach of any applicable law or regulation upon its acquisition of Murgitroyd, including the economic sanctions of the United States Office of Foreign Assets Control or HM Treasury & Customs, or any government, entity or individual targeted by any of the economic sanctions of the United Nations, the United States, the European Union or any of its member states.

## **B. CERTAIN FURTHER TERMS OF THE SCHEME AND THE ACQUISITION**

1. To the extent permitted by law and subject to the requirements of the Panel in accordance with the Code, Bidco reserves the right to waive:
  - (a) any of the Conditions set out in the above Conditions 1 and 2 only in so far as they relate to the deadlines for the timing of the Court Meeting, the General Meeting and the Sanction Hearing respectively. The deadline for the Scheme to become Effective may be extended by agreement between the Company and Bidco (with the Panel's consent and, if required, the Court's approval). If any such deadline is not met, Bidco will make an announcement by 8.00am on the Business Day following such deadline confirming whether it has invoked or waived the relevant Condition or agreed with Murgitroyd to extend the deadline in relation to the relevant Condition. In all other respects, Conditions 1 and 2 cannot be waived; and
  - (b) in whole or in part, all or any of the above Conditions 3 to 10 (inclusive) by no later than 11.59 p.m. on the date immediately preceding the date of the Sanction Hearing.
2. Bidco will, no later than the time of the Sanction Hearing, provide notice in writing to Murgitroyd that either: (i) the Conditions in paragraphs 3 to 10 (above) have each been satisfied or that Bidco has waived or treated as waived such Conditions; or (ii) it intends to invoke or treat as incapable of satisfaction each or any Condition, which will always be subject to the Panel's consent.
3. If Bidco is required by the Panel to make a Takeover Offer for Murgitroyd Shares under the provisions of Rule 9 of the Code, Bidco may make such alterations to any of the above Conditions and terms of the Acquisition as are necessary to comply with the provisions of that Rule.
4. Bidco will be under no obligation to waive (if capable of waiver) or to treat as fulfilled any of the Conditions by a date earlier than the latest date for the fulfilment of that Condition notwithstanding that the other Conditions of the Acquisition may at such earlier date have been waived or fulfilled and that there are at such earlier date no circumstances indicating that any of such Conditions may not be capable of fulfilment.
5. The Acquisition shall lapse and shall not become Effective if:
  - (a) insofar as the Acquisition or any matter arising from or relating to the Scheme or a Takeover Offer constitutes a concentration with a European community dimension within the scope of the Regulation, the European Commission either initiates proceedings under Article 6(1)(c) of the Regulation or makes a referral to a competent authority in the United Kingdom under Article 9(1) of the Regulation and there is then a CMA Reference; or
  - (b) the Acquisition or any matter arising from or relation to the Scheme or Acquisition becomes subject to a CMA Reference,  
in each case before the date of the Court Meeting.
6. The Murgitroyd Shares to be acquired pursuant to the Acquisition will be acquired fully paid and free from all liens, equities, charges, encumbrances, options, rights of pre-emption and any other third party rights and interests of any nature and together with all rights now or hereafter attaching or

accruing to them, including, without limitation, voting rights and (other than the Final Dividend and subject to paragraph 7 below) the right to receive and retain in full all dividends and other distributions (if any) declared, made or paid, or any other return of capital (whether by reduction of share capital or share premium account or otherwise) made, on or after the Effective Date.

7. Subject to the terms of the Scheme, if, on or after the date of the Announcement, any dividend or other distribution is announced (excluding the Final Dividend), Bidco reserves the right (without prejudice to any right of Bidco to invoke Condition 7(b) in Part A of this Part Four) to reduce the Cash Consideration by the amount of any such dividend or other distribution, in which case: (a) any reference in the Announcement or in this document to the Cash Consideration for the Murgitroyd Shares will be deemed to be a reference to the Cash Consideration as so reduced; and (b) the relevant eligible Murgitroyd Shareholders will be entitled to receive and retain such dividend or distribution. To the extent that any such dividend or distribution announced, declared or paid is: (x) transferred pursuant to the Acquisition on a basis which entitles Bidco to receive the dividend or distribution and to retain it; or (y) cancelled, the Cash Consideration will not be subject to change in accordance with this paragraph. Any exercise by Bidco of its rights referred to in this paragraph shall be the subject of an announcement and the consent of the Panel and, for the avoidance of doubt, shall not be regarded as constituting any revision or variation of the Acquisition.
8. Under Rule 13.5(a) of the Code, Bidco may not invoke a Condition so as to cause the Acquisition not to proceed, to lapse or any offer to be withdrawn unless the circumstances which give rise to the right to invoke the Condition are of material significance to Bidco in the context of the Acquisition. Conditions 1 and 2 (and any Takeover Offer acceptance condition adopted on the basis specified in paragraphs 3 or 9 of this Part B of Part Four) are not subject to this provision of the Code.
9. Bidco reserves the right to elect (with the consent of the Panel) to implement the Acquisition by way of a Takeover Offer as an alternative to the Scheme. In such event, the Acquisition will be implemented on substantially the same terms (subject to appropriate amendments, including (without limitation) an acceptance condition set at 90 per cent. (or such lesser percentage, being more than 50 per cent., as Bidco may decide and the Panel may agree) of the shares to which such offer relates, so far as applicable) as those which would apply to the Scheme.
10. The availability of the Acquisition to persons not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions. Persons who are not resident in the United Kingdom should inform themselves about and observe any applicable requirements.
11. The Acquisition is not being made, directly or indirectly, in, into or from, or by use of the mails of, or by any means of instrumentality (including, but not limited to, facsimile, e-mail or other electronic transmission, telex or telephone) of interstate or foreign commerce of, or of any facility of a national, state or other securities exchange of, any Restricted Jurisdiction where to do so would violate the laws of that jurisdiction.
12. The Scheme will be governed by laws of Scotland and is subject to the jurisdiction of the Scottish courts and to the Conditions and further terms set out in this Part Four. The Acquisition will be subject to the applicable requirements of the Code, the Panel, the AIM Rules, the London Stock Exchange and the Financial Conduct Authority.
13. Each of the Conditions will be regarded as a separate Condition and will not be limited by reference to any other Condition.

**PART FIVE**  
**THE SCHEME OF ARRANGEMENT**

**IN THE COURT OF SESSION**

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**SCHEME OF ARRANGEMENT**  
*(under Part 26 of the Companies Act 2006)*

**BETWEEN**

**MURGITROYD GROUP PLC**

**AND**

**THE SCHEME SHAREHOLDERS**  
*(as hereinafter defined)*

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**PRELIMINARY**

(A) In this Scheme, the following expressions shall have the following meanings:

<b>“£”, “Sterling” or “pence”</b>	the lawful currency of the UK
<b>“Announcement”</b>	the joint announcement of the Acquisition, dated 18 October 2019, by Bidco and Murgitroyd in accordance with Rule 2.7 of the Code
<b>“Bidco”</b>	Project Petra Bidco Limited, registered in England and Wales with registered number 12224288 and whose registered office is at 25 Victoria Street, London, United Kingdom, SW1H 0EX
<b>“Bidco Group”</b>	Bidco and its subsidiaries, subsidiary undertakings, associated undertakings, holding companies, and their respective subsidiaries, subsidiary undertakings, associated undertakings, holding companies and any other body corporate, partnership, joint venture or person in which Bidco and all such undertakings (aggregating their interests) have a Significant Interest or which have a Significant Interest in Bidco or any other member of the Bidco Group
<b>“Business Day”</b>	a day (other than Saturdays, Sundays and public or bank holidays in the UK) on which banks are generally open for business in the City of London
<b>“Close of Business”</b>	6.00 p.m. on a Business Day
<b>“Code”</b>	the City Code on Takeovers and Mergers
<b>“Companies Act”</b>	the Companies Act 2006, as amended from time to time
<b>“Court”</b>	the Court of Session in Edinburgh
<b>“Court Meeting”</b>	the meeting of the Scheme Shareholders convened by order of the Court pursuant to section 896 of the Companies Act to consider and, if thought fit, approve this Scheme (with or without modification), and any adjournment of that meeting
<b>“Court Order”</b>	the order of the Court to be made at the Sanction Hearing, sanctioning the Scheme under Part 26 of the Companies Act

<b>“CREST”</b>	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the Operator (as defined in the CREST Regulations) and in accordance with which securities may be held and transferred in uncertificated form
<b>“CREST Regulations”</b>	the Uncertificated Securities Regulations 2001 (SI 2001/3755)
<b>“Effective Date”</b>	the date upon which this Scheme becomes effective in accordance with its terms
<b>“Encumbrances”</b>	liens, equitable interests, charges, encumbrances, options, rights of pre-emption and any other third party rights and interests of any nature
<b>“Euroclear”</b>	Euroclear UK & Ireland Limited, a limited company incorporated in England and Wales with registered number 02878738
<b>“Excluded Shares”</b>	any Shares: <ul style="list-style-type: none"> <li>(a) held by Bidco or, otherwise, directly or indirectly by the Sovereign Investors; and</li> <li>(b) held by Murgitroyd in treasury from time to time</li> </ul>
<b>“Final Dividend”</b>	the final dividend of 15 pence per Murgitroyd Share declared on 17 September 2019, payable on 8 November 2019 to Shareholders on the register at the Close of Business on 11 October 2019
<b>“General Meeting”</b>	the general meeting of Murgitroyd to be convened in connection with the Scheme, including any adjournment thereof
<b>“in certificated form”</b>	a share or other security which is not in uncertificated form (that is, not in CREST)
<b>“in uncertificated form”</b>	in respect of a Share, being recorded on the relevant register as being held in uncertificated form in CREST, and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
<b>“Murgitroyd”</b>	Murgitroyd Group PLC, registered in Scotland with registered number SC221766 and whose registered office is at Scotland House, 165-169 Scotland Street, Glasgow, G5 8PL
<b>“Murgitroyd Group”</b>	Murgitroyd and its subsidiaries, subsidiary undertakings, associated undertakings and any other body corporate, partnership, joint venture or person in which Murgitroyd and all such undertakings (aggregating their interests) have a Significant Interest
<b>“Murgitroyd Unapproved Share Schemes”</b>	The Murgitroyd Group PLC Unapproved Employee Share Option Schemes, adopted by the Board of Murgitroyd in 2004 and 2010 respectively
<b>“Panel”</b>	the Panel on Takeovers and Mergers
<b>“Petition”</b>	the application to the Court for it to sanction the Scheme under Part 26 of the Companies Act
<b>“Registrar of Companies”</b>	the Registrar of Companies in Scotland
<b>“Registrars”</b>	Murgitroyd’s registrar, Link Asset Services, a trading name of Link Market Services Limited

<b>“Sanction Hearing”</b>	the hearing by the Court of the Petition
<b>“Scheme”</b>	this scheme of arrangement in its present form or with or subject to any modification, addition or condition approved, or imposed by, the Court and agreed to by Murgitroyd and Bidco
<b>“Scheme Record Time”</b>	6.00 p.m. on the Business Day immediately after the Sanction Hearing
<b>“Scheme Shareholders”</b>	holders of Scheme Shares
<b>“Scheme Shares”</b>	all Shares: <ul style="list-style-type: none"> <li>(a) in issue at the date of this document;</li> <li>(b) issued after the date of this document and before the Voting Record Time (if any); and</li> <li>(c) issued at or after the Voting Record Time and before the Scheme Record Time in respect of which the original or any subsequent holders thereof are, or shall have agreed in writing to be, bound by the Scheme (if any),</li> </ul> <p>in each case excluding the Excluded Shares</p>
<b>“SCIV LP”</b>	Sovereign Capital IV Limited Partnership, a fund managed on a discretionary basis by BB Shelf 4 LLP which in turn is controlled by Sovereign
<b>“Shareholders”</b>	the registered holders of Shares from time to time
<b>“Shares”</b>	the existing unconditionally allotted, or issued, and fully paid ordinary shares of 10 pence each in the capital of Murgitroyd and any such further ordinary shares which are unconditionally allotted before the Effective Date
<b>“Significant Interest”</b>	in relation to an undertaking, a direct or indirect interest of 20 per cent. or more of: (i) the total voting rights conferred by the equity share capital (as defined in section 548 of the Companies Act) of that undertaking; or (ii) the relevant partnership interest
<b>“Sovereign”</b>	Sovereign Capital Partners LLP, registered in England and Wales with registered number OC309409 and whose registered office is at 25 Victoria Street, London SW1H 0EX
<b>“Sovereign Investors”</b>	SCIV LP and certain persons and managers connected to SCIV LP
<b>“Voting Record Time”</b>	in respect of the Court Meeting, 6.30 p.m. (London time) on the day which is two Business Days before the date of such meeting or adjournment thereof (as the case may be)

- (B) References to clauses are to clauses of this Scheme.
- (C) The issued share capital of Murgitroyd as at the Close of Business on 29 October 2019 (the last practicable date prior to the date of this Scheme) was £900,934.70, divided into 9,009,347 Shares, all of which were fully paid and none of which were held in treasury.
- (D) Options granted pursuant to the Murgitroyd Unapproved Share Schemes to acquire up to 299,000 Shares are outstanding as at the date of this Scheme. These options will become exercisable (to the extent already not so) if the Court sanctions this Scheme.
- (E) As at 29 October 2019 (being the last practicable date prior to the date of this Scheme), no member of the Bidco Group beneficially owns any Shares.

- (F) Bidco has agreed to appear by counsel at the hearing of the Petition to sanction the Scheme, and to submit to be bound by, and to undertake to the Court to be bound by, this Scheme, to confirm satisfaction of the conditions to which the Scheme is subject (or, if such conditions are not satisfied, that they are waived) and to execute and do, or procure to be executed and done, all such documents, acts or things as may be necessary or desirable to be executed or done by them or on their behalf for the purpose of giving effect to the Scheme.

## **1 Transfer of the Scheme Shares**

- 1.1 On the Effective Date, Bidco shall acquire all the Scheme Shares fully paid up, free from all Encumbrances and together with all rights attaching to them at the Effective Date or thereafter, including voting rights and entitlement to all dividends and other distributions announced, declared, made or paid, or any return of capital (whether by way of reduction of share capital, repurchase or redemption or otherwise) made by Murgitroyd on, or after, the Effective Date, save that Bidco shall not be entitled to the Final Dividend.
- 1.2 For those purposes, the Scheme Shares shall be transferred to Bidco and to give effect to such transfers any person may be appointed by Bidco as attorney and/or agent and shall be authorised as such attorney and/or agent on behalf of the relevant holder of Scheme Shares to execute and deliver as transferor a form of transfer or other instrument or instruction of transfer, or procure the transfer by means of CREST, of those Scheme Shares and every form, instrument or instruction of transfer so executed shall be effective as if it had been executed by the holder or holders of the Scheme Shares thereby transferred.
- 1.3 Forthwith upon receipt of any transfer of Scheme Shares in favour of Bidco which is executed in the manner provided by Clause 1.2 and, where required, is duly stamped, Murgitroyd shall register the transferee as the holder of the Scheme Shares comprised in the transfer and shall effect such registration notwithstanding that the transfer is not accompanied by the certificate for the shares so comprised.

## **2 Consideration for the Scheme Shares**

- 2.1 In consideration for the transfer of the Scheme Shares to Bidco as provided in Clause 1, Bidco shall provide or procure that there shall be paid to or for the account of each Scheme Shareholder whose name appears in the register of members of Murgitroyd at the Scheme Record Time, in accordance with the provisions of Clause 3:

**for each Scheme Share                      675 pence in cash**

- 2.2 If Murgitroyd declares, or pays, a dividend, other than the Final Dividend, after the date of the Announcement and prior to the Effective Date and that dividend is retained by any Murgitroyd Shareholder in respect of any Shares, Bidco shall be entitled to reduce the amount of consideration payable by an amount equivalent to that dividend in respect of those Shares.

## **3 Settlement**

- 3.1 As soon as practicable after the Effective Date and in any event not more than 14 days thereafter, Bidco shall:
- (a) in the case of Scheme Shares which at the Scheme Record Time are in certificated form, despatch or procure the despatch to the persons entitled thereto, or as they may direct, in accordance with the provisions of Clause 3.3, cheques for the sums payable to them in accordance with Clause 2; and
- (b) in the case of Scheme Shares which at the Scheme Record Time are in uncertificated form, ensure that an assured payment obligation in respect of the sums payable in accordance with Clause 2 to the persons entitled thereto is created in accordance with CREST assured payment arrangements **PROVIDED** that Bidco reserves the right to make payment of the consideration by cheque in accordance with the provisions of Clause 3.1(a) if, for any reason it wishes to do so.

- 3.2 Any cash consideration payable in respect of Scheme Shares that have been issued pursuant to the exercise of options under the Murgitroyd Unapproved Share Schemes shall (unless Murgitroyd agrees with Bidco that Clause 3.1(a) or (b) of the Scheme shall apply) be paid by Bidco to Murgitroyd by electronic transfer in time for onward transmission by Murgitroyd, in such manner as Murgitroyd may determine, to the relevant Scheme Shareholder, less applicable income tax and national insurance contributions, not more than 14 days after the Effective Date.
- 3.3 All deliveries of cheques and certificates required to be made pursuant to this Scheme shall be effected by sending the same by first class post (or airmail, if overseas) in pre-paid envelopes addressed to the persons entitled thereto at their respective addresses as appearing in the register of members of Murgitroyd at the Scheme Record Time (or, in the case of joint holders, at the address of that one of the joint holders whose name stands first in the said register in respect of such joint holding at such time) or in accordance with any special instructions regarding communications, and none of Bidco, Murgitroyd and their respective agents or nominees shall be responsible for any loss or delay in the transmission of cheques or certificates sent in accordance with this Clause 3.3 which shall be sent at the risk of the person entitled thereto.
- 3.3 All cheques shall be in Sterling drawn on a UK clearing bank and shall be made payable to the person to whom in accordance with the foregoing provisions of this Clause 3, the envelope containing the same is addressed, and the encashment of any such cheque shall be a complete discharge of Bidco's obligation under this Scheme to pay for the monies represented thereby.
- 3.4 In respect of payments through CREST, Bidco shall ensure that an assured payment obligation is created in accordance with the CREST assured payment arrangements. The creation of such an assured payment arrangement shall be a complete discharge of Bidco's obligations under this Scheme with reference to payments through CREST.
- 3.5 The provisions of this Clause 3 shall take effect subject to any prohibition or condition imposed by law.

#### **4 Share certificates and cancellation of CREST entitlements**

- 4.1 With effect from, and including, the Effective Date:
- (a) all certificates representing Scheme Shares shall cease to have effect as evidence of title to the Scheme Shares comprised therein and every Scheme Shareholder shall be bound at the request of Murgitroyd to deliver up the same for cancellation to Murgitroyd, or, as it may direct, to destroy the same;
  - (b) Euroclear shall be instructed to cancel or transfer the entitlements to Scheme Shares of holders of Scheme Shares in uncertificated form;
  - (c) following the cancellation of the entitlements to Scheme Shares of holders of Scheme Shares in uncertificated form, the Registrars shall be authorised to de-materialise entitlements to such Scheme Shares; and
  - (d) on or as soon as reasonably practical after the Effective Date and subject to completion of such transfers, forms, instruments or instructions as may be required in accordance with Clause 1.2 and the payment of any stamp duty thereon, appropriate entries shall be made in the register of members of Murgitroyd to reflect the transfer of the Scheme Shares pursuant to Clause 1 (and for such purposes any such transfer, form, instrument or instruction which is in writing and which constitutes an instrument of transfer shall be deemed to be the principal instrument).

#### **5 The Effective Date**

- 5.1 This Scheme shall become effective in accordance with its terms as soon as a certified copy of the Court Order is delivered to the Registrar of Companies for registration. This is expected to occur on or around 19 December 2019.
- 5.2 Unless this Scheme shall become effective on or before 31 January 2020 or such later date, if any, as Murgitroyd and Bidco may agree and the Panel and the Court may allow, this Scheme shall not become effective.

## **6 Modification**

Murgitroyd and Bidco may, at any hearing to sanction the Scheme, jointly consent on behalf of all persons concerned to any modification of, or addition to, this Scheme or to any condition which the Court may approve or impose. Any such modification or addition may require the consent of the Panel.

## **7 Governing Law**

This Scheme is governed by the law of Scotland and is subject to the jurisdiction of the Court. The rules of the Code will, so far as they are appropriate, apply to this Scheme.

Dated 30 October 2019

## PART SIX

### FINANCIAL INFORMATION RELATING TO MURGITROYD

**The following sets out the financial information in respect of Murgitroyd as required by Rule 24.3 of the Code. The documents referred to below (or parts thereof) are incorporated by reference into this document and are available on Murgitroyd’s website in respect of the Murgitroyd financial information.**

The information is available in “read-only” format and can be printed from the website detailed above.

You may request hard copies of any document incorporated by reference into this document by contacting Murgitroyd’s Registrars during business hours on +44 (0) 371 664 0321 or by submitting a request in writing to Murgitroyd’s Registrars at Link Asset Services, The Registry, PXS1, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

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

Save as expressly referred to herein, neither the content of Bidco or Murgitroyd’s websites, nor the content of any website accessible from hyperlinks on Bidco or Murgitroyd’s website, is incorporated into, or form part of, this document.

#### **Information incorporated by reference**

#### **Page number in reference**

The audited accounts of Murgitroyd for the financial year ended 31 May 2019 contained in Murgitroyd’s annual report for the financial year ended 31 May 2019 available from Murgitroyd’s website [www.murgitroydgroup.com](http://www.murgitroydgroup.com)

Pages 25 to 68

The audited accounts of Murgitroyd for the financial year ended 31 May 2018 contained in Murgitroyd’s annual report for the financial year ended 31 May 2018 available from Murgitroyd’s website [www.murgitroydgroup.com](http://www.murgitroydgroup.com)

Pages 21 to 60

The audited accounts of Murgitroyd for the financial year ended 31 May 2017 contained in Murgitroyd’s annual report for the financial year ended 31 May 2017 available from Murgitroyd’s website [www.murgitroydgroup.com](http://www.murgitroydgroup.com)

Pages 20 to 59

## **PART SEVEN**

### **FINANCIAL INFORMATION RELATING TO BIDCO**

As Bidco was incorporated on 24 September 2019, no financial information is available or has been published in respect of Bidco and, there are no current ratings or outlooks publicly accorded to Bidco by ratings agencies.

Bidco is a limited liability company incorporated in England and Wales for the purposes of making the Acquisition and is controlled by SCIV LP, a fund managed on a discretionary basis by BB Shelf 4 LLP, which in turn is controlled by Sovereign.

**PART EIGHT**  
**ADDITIONAL INFORMATION**

**1 Responsibility**

- 1.1 The Directors, whose names are set out at paragraph 2.1 below, each accept responsibility for the information (including any expressions of opinion) contained in this document (other than that relating to the Bidco Group, Sovereign, SCIV LP, the Sovereign Investors, the Bidco Directors (and members of their immediate families, persons connected with the Bidco Directors and their related trusts and controlled companies) and the SCP Responsible Persons (and members of their immediate families, persons connected with the SCP Responsible Persons and their related trusts and controlled companies)). To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 The Bidco Directors, whose names are set out at paragraph 2.2 below, and the SCP Responsible Persons, whose names are set out in paragraph 2.3 below, each accept responsibility for the information (including any expressions of opinion) contained in this document (other than that relating to the Murgitroyd Group and the Directors (and members of their immediate families, persons connected with the Directors and their related trusts and controlled companies)). To the best of the knowledge and belief of the Bidco Directors and the SCP Responsible Persons (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

**2 Directors**

- 2.1 The Directors and their respective positions are:

<i>Name</i>	<i>Position</i>
Ian G. Murgitroyd	Chairman and Non-Executive Director
G. Edward Murgitroyd	Chief Executive
Keith G. Young	Finance Director
Gordon D. Stark	Executive Director
D. Willie MacDiarmid	Deputy Chairman and Non-Executive Director
Mark N. Kemp-Gee	Non-Executive Director
John H. Reid	Non-Executive Director
Helga C. Chapman	Non-Executive Director

Murgitroyd's registered office is at Scotland House, 165-169 Scotland Street, Glasgow, G5 8PL.

- 2.2 The Bidco Directors and their respective positions are:

<i>Name</i>	<i>Position</i>
Jonathan Paul Thorne	Director
Jeremy Morgan	Director

Bidco's registered office is at 25 Victoria Street, London, UK, SW1H 0EX.

- 2.3 The SCP Responsible Persons and their respective positions are set out below. The SCP Responsible Persons comprise the members of Sovereign's investment committee.

<i>Name</i>	<i>Position</i>
Andrew Hayden	Managing Partner and Investment Committee Chair
Dominic Dall	Partner and member of Investment Committee
Kevin Whittle	Partner and member of Investment Committee
Jeremy Morgan	Partner and member of Investment Committee
David Myers	Partner and member of Investment Committee
Matthew Owen	Partner and member of Investment Committee
Alex Hay	Partner and member of Investment Committee

### **3 Interests and dealings in relevant Murgitroyd securities**

#### ***Definitions***

- 3.1 For the purposes of this Part Eight:

**acting in concert** with a party means any person acting or deemed to be acting in concert with that party for the purposes of the Code in respect of the Acquisition;

**arrangement** includes an indemnity or option arrangement, and any agreement or understanding, formal or informal, of whatever nature, relating to relevant securities which may be an inducement to deal or to refrain from dealing but excludes irrevocable commitments and letters of intent;

**connected persons** means those persons in whose interests in securities the Directors (or the Bidco Directors, as the case may be) are taken to be interested in pursuant to Part 22 of the Companies Act 2006;

**dealing** or **dealt** includes:

- (a) the acquisition or disposal of relevant securities, of the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to securities, or of general control of relevant securities;
- (b) the taking, granting, acquisition, disposal, entering into, closing out, termination, exercise (by either party) or variation of an option (including a traded option contract) in respect of any relevant securities;
- (c) subscribing or agreeing to subscribe for relevant securities;
- (d) the exercise or conversion, whether in respect of new or existing relevant securities, of any securities carrying conversion or subscription rights;
- (e) the acquisition, disposal, entering into, closing out, exercise (by either party) of any rights under, or variation of, a derivative referenced, directly or indirectly, to relevant securities;
- (f) entering into, terminating or varying the terms of any agreement to purchase or sell relevant securities; and
- (g) any other action resulting, or which may result, in an increase or decrease in the number of relevant securities in which a person is interested or in respect of which he has a short position;

**derivative** includes any financial product the value of which, in whole or in part, is determined directly or indirectly by reference to the price of an underlying security;

**disclosure date** means 29 October 2019 (being the Last Practicable Date);

**disclosure period** means the period commencing on 15 October 2018 (the date 12 months prior to the commencement of the Offer Period) and ending on the disclosure date;

to have an **interest** in relevant securities means to have a long economic exposure, whether absolute or conditional, to changes in the price of such securities. A person who only has a short position in relevant securities will not be treated as interested in those securities. In particular, a person will be treated as having an interest in relevant securities if he:

- (a) owns relevant securities;
- (b) has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to the relevant securities or has general control of them;
- (c) by virtue of any agreement to purchase, option or derivative, has the right or option to acquire relevant securities or call for their delivery or is under an obligation to take delivery of them, whether the right, option or obligation is conditional or absolute and whether it is in the money or otherwise; or
- (d) is party to any derivative whose value is determined by reference to their price and which results, or may result, in his having a long position in them;

**relevant securities** means (A) Murgitroyd Shares or, as the context requires, Bidco Shares; (B) equity share capital of Murgitroyd or, as the context requires, Bidco; and (C) any securities convertible into or exchangeable for rights to subscribe for Murgitroyd Shares or as the context requires, Bidco Shares, described in (A) and (B) above and securities convertible into, rights to subscribe, or options (including traded options) in respect of derivatives referenced to any of the foregoing; and

**short position** means any short position (whether conditional or absolute and whether in the money or otherwise) including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery.

- 3.2 As at the disclosure date, the Directors and their respective immediate families, related trusts and connected persons had an interest in, a right to subscribe for or a short position in (whether conditional or absolute and whether in the money or otherwise) including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery of, relevant Murgitroyd securities as follows.

*Issued share capital*

<i>Name</i>	<i>Interest</i>	<i>Number of Murgitroyd Shares</i>
Ian G. Murgitroyd	Legal and beneficial ownership	2,415,105 <sup>1</sup>
G. Edward Murgitroyd	Legal and beneficial ownership	387,526
Elizabeth-Anne Thomson	Legal and beneficial ownership	387,526
Mark N. Kemp-Gee	Legal and beneficial ownership	5,000
Gordon D. Stark	Legal and beneficial ownership	25
Helga Chapman	N/A	Nil
D. Willie MacDiarmid	N/A	Nil
John Reid	N/A	Nil
Keith Young	N/A	Nil

<sup>1</sup>Including close relatives

- 3.3 As at the disclosure date, the Directors and their respective immediate families, related trusts and any other connected persons were interested in options over Murgitroyd Shares under the Murgitroyd Unapproved Share Schemes as follows:

<i>Name</i>	<i>Number of Murgitroyd Shares over which options are held</i>	<i>Date of Grant</i>	<i>Exercise Period</i>
Gordon D. Stark	50,000	14/09/2015	14/09/2018 to 13/09/2030
Gordon D. Stark	50,000	10/02/2017	10/02/2020 to 09/02/2032
Gordon D. Stark	50,000	25/09/2018	25/09/2021 to 24/09/2033
Keith Young	10,000	25/02/2010	25/02/2013 to 24/02/2025

3.4 Save as disclosed in this paragraph 3, as at the disclosure date:

- (a) none of:
  - (i) Murgitroyd;
  - (ii) the Directors or their respective immediate families, related trusts or (so far as the Directors are aware having made due and careful enquiry) other connected persons;
  - (iii) any person acting in concert with Murgitroyd; and
  - (iv) any person who is a party to an arrangement with Murgitroyd, or any person acting in concert with Murgitroyd, of the kind referred to in Note 11 on the definition of acting in concert in the Code,

had any interest in or right to subscribe for any relevant securities of Murgitroyd (or, in the case of Murgitroyd or the Directors and their respective immediate families, related trusts and any other connected persons, relevant securities of Bidco) or any short position in any relevant securities of Murgitroyd (or in the case of Murgitroyd or the Directors and their respective immediate families, related trusts and any other connected persons, any relevant securities of Bidco) nor has any such person dealt in any relevant securities of Murgitroyd (or, in the case of Murgitroyd and the Directors and their immediate families, related trusts and any other connected persons, relevant securities of Bidco) during the Offer Period;

- (b) none of:
  - (i) Bidco;
  - (ii) any member of the Bidco Group;
  - (iii) the Bidco Directors or members of their respective immediate families, related trusts or (so far as the Bidco Directors are aware having made due and careful enquiry) other connected persons;
  - (iv) any person acting in concert with Bidco; and
  - (v) any person who is a party to an arrangement with Bidco, or any person acting in concert with Bidco, of the kind referred to in Note 11 on the definition of acting in concert in the Code (save for the irrevocable undertakings described at paragraph 7 of this Part Eight),

had any interest in or right to subscribe for or any short position in any relevant securities of Murgitroyd, nor had any agreements to sell or any delivery obligations or rights to require another person to purchase or take any delivery of any relevant securities of Murgitroyd nor, save for any borrowed shares which have either been on-lent or sold, had borrowed or lent any relevant securities of Murgitroyd (including for these purposes any financial collateral arrangements of the kind referred to in Note 4 on Rule 4.6 of the Code) nor has any such person dealt in any Murgitroyd relevant securities during the disclosure period;

- (c) neither Murgitroyd nor any person acting in concert with Murgitroyd has borrowed or lent any Murgitroyd relevant securities (including for these purposes any financial collateral arrangements of the kind referred to in Note 4 on Rule 4.6 of the Code) except for any borrowed shares which have either been on-lent or sold; and
- (d) Murgitroyd has not redeemed, purchased or exercised any option over any Murgitroyd Shares or any securities convertible into rights to subscribe for or options in respect of or derivatives referenced to Murgitroyd Shares during the disclosure period; and
- (e) save for the irrevocable undertakings given by the Directors as described in paragraph 7 of this Part Eight, there is no arrangement relating to relevant Murgitroyd securities which exists between any member of the Bidco Group or any person acting in concert with Bidco and any other person nor between Murgitroyd or any other person acting in concert with Murgitroyd and any other person.

#### 4 Persons acting in concert

4.1 In addition to the Directors, for the purposes of the Code, the persons who are acting in concert with Murgitroyd are:

<i>Name</i>	<i>Registered office</i>	<i>Relationship to Murgitroyd</i>
Nplus1 Singer	One Bartholomew Lane, London EC2N 2AX	Financial adviser, joint financial adviser for the purposes of Rule 3 of the Code, and broker to Murgitroyd
Deloitte	1 New Street Square, London EC4A 3HQ	Financial adviser and joint financial adviser for the purposes of Rule 3 of the Code

4.2 In addition to the Bidco Directors, for the purposes of the Code, the persons who are acting in concert with Bidco are:

<i>Name</i>	<i>Registered office</i>	<i>Relationship to Bidco</i>
Project Petra Midco 1 Limited	25 Victoria Street, London, United Kingdom, SW1H 0EX	Part of the Bidco Group
Project Petra Midco 2 Limited	25 Victoria Street, London, United Kingdom, SW1H 0EX	Part of the Bidco Group
Project Petra Topco Limited	25 Victoria Street, London, United Kingdom, SW1H 0EX	Part of the Bidco Group
Sovereign Capital Partners LLP	25 Victoria Street, London, United Kingdom, SW1H 0EX	Providing funding to the Bidco Group
Sovereign Capital IV Limited Partnership	25 Victoria Street, London, United Kingdom, SW1H 0EX	Providing funding to the Bidco Group
BB Shelf 4 LLP	25 Victoria Street, London, United Kingdom, SW1H 0EX	Providing funding to the Bidco Group
Andrew Hayden	c/o 25 Victoria Street, London, United Kingdom, SW1H 0EX	SCP Responsible Persons
Dominic Dalli	c/o 25 Victoria Street, London, United Kingdom, SW1H 0EX	SCP Responsible Persons
Kevin Whittle	c/o 25 Victoria Street, London, United Kingdom, SW1H 0EX	SCP Responsible Persons
Jeremy Morgan	c/o 25 Victoria Street, London, United Kingdom, SW1H 0EX	SCP Responsible Persons
David Myers	c/o 25 Victoria Street, London, United Kingdom, SW1H 0EX	SCP Responsible Persons
Matthew Owen	c/o 25 Victoria Street, London, United Kingdom, SW1H 0EX	SCP Responsible Persons

Alex Hay	c/o 25 Victoria Street, London, United Kingdom, SW1H 0EX	SCP Responsible Persons
Arachas Topco Limited	25 Victoria Street, London, England, SW1H	Sovereign portfolio company
Asset Control Topco Limited	32 Cornhill, London, United Kingdom, EC3V 3SG	Sovereign portfolio company
BIMM Topco Limited	38-42 Brunswick Street West, Hove, East Sussex, United Kingdom, BN3 1EL	Sovereign portfolio company
Copper Topco 1 Limited	25 Victoria Street, London, United Kingdom, SW1H 0EX	Sovereign portfolio company
Caledonia Topco Limited	Dc139 Style Way, Pineham Swan Valley, Northampton, England, NN4 9EX	Sovereign portfolio company
Garnet Topco Limited	Eaton House The Manor, 58 Clapham Common North Side, London, United Kingdom, SW4 9RU	Sovereign portfolio company
Education Placement Group Limited	2nd Floor, Sir Wilfrid Newton House Thornccliffe Park, Chapeltown, Sheffield, South Yorkshire, United Kingdom, S35 2PH	Sovereign portfolio company
Valour Holdco Limited	Unit 2 Eurogate Business Park, Ashford, Kent, United Kingdom, TN24 8XW	Sovereign portfolio company
Canary Topco Limited	48 Queensgate House Queen Street, Exeter, Devon, England, EX4 3SR	Sovereign portfolio company
Project Steel Topco Limited	Corby Innovation Hub, Bangrave Road South, Corby, United Kingdom, NN17 1NN	Sovereign portfolio company
Christchurch Court Holdings	2 Christchurch Road, Abington, Northampton, Northamptonshire, NN1 5LL	Sovereign portfolio company
Hamsard 3267 Limited	2 Christchurch Road, Northampton, NN1 5LL	Sovereign portfolio company
Stillness 928 Limited	2 Christchurch Road, Abington, Northampton, Northamptonshire, NN1 5LL	Sovereign portfolio company
Eden Care & Support Group Limited	Friary House, 17a Friary Road, Newark, Nottinghamshire, NG24 1LE	Sovereign portfolio company
Eden Care Solutions Limited	Friary House, 17a Friary Road, Newark, Nottinghamshire, NG24 1LE	Sovereign portfolio company

<i>Name</i>	<i>Registered office</i>	<i>Relationship to Bidco</i>
Optionis Limited	Kd Tower, Cotterells, Hemel Hempstead, Hertfordshire, HP1 1FW	Sovereign portfolio company
Clipper Group Limited	4 Mount Ephraim Road, Tunbridge Wells, England, TN1 1EE	Sovereign portfolio company
Paragon Education & Skills Group Holdings Limited	Station Approach, Ashley Road, Bournemouth, Dorset, BH1 4NB	Sovereign portfolio company
Zeus Capital Limited	82 King Street, Manchester, M2 4WQ	Connected adviser of Bidco and Sovereign
Spectrum Corporate Finance Limited	Abbey Gardens, 4 Abbey Street, Reading, Berkshire, RG1 3BA	Connected adviser of Bidco and Sovereign

## 5 Directors' service contracts and emoluments

### 5.1 Executive directors

#### 5.1.1 G. Edward Murgitroyd

G. Edward Murgitroyd was appointed Chief Executive of Murgitroyd on 21 February 2019, having previously served as Chief Executive of Murgitroyd's operating business between 21 October 2014 and 20 February 2019. Under the terms of his service contract dated 2 August 2006, G. Edward Murgitroyd's appointment is subject to termination by either party giving six months' written notice. His annual salary is US\$500,000 and he is entitled to a discretionary bonus.

#### 5.1.2 Keith G. Young

Keith G. Young was appointed Chief Financial Officer of Murgitroyd on 21 February 2019, having previously served as Chief Executive and Finance Director between 18 October 2001 and 20 February 2019. Under the terms of an appointment letter dated 23 September 2002 and an agreement dated 26 September 2002, Keith G. Young's appointment is subject to termination by either party giving twelve months' written notice. His annual salary is £230,000 and he is entitled to a discretionary bonus.

#### 5.1.3 Gordon D. Stark

Gordon D. Stark was appointed Chief Operations Officer of Murgitroyd & Company Limited ("**Murgitroyd & Company**") in April 2012, and as an executive director of Murgitroyd on 12 August 2015. Under the terms of a service contract dated 29 May 2012, Gordon D. Stark's appointment is subject to termination by either party on six months' written notice. His annual salary is £250,000 and he is entitled to a discretionary bonus.

### 5.2 Non-executive directors

<i>Name</i>	<i>Date of Appointment</i>	<i>Current annual fee<sup>(1)</sup></i>	<i>Notice period<sup>(2)</sup></i>
Ian G. Murgitroyd	18 October 2001	£150,000	12 months
D. Willie MacDiarmid	1 April 2019	£50,000	3 months
Mark N. Kemp-Gee	22 November 2001	£40,000	12 months
John H. Reid	12 August 2015	£35,000	3 months
Helga C. Chapman	21 February 2019	£30,000	3 months

Note:

(1) including committee fees.

(2) for termination by either party.

- 5.3 The non-executive directors' letters of appointment do not provide for a fixed term of appointment. There is no provision for compensation on termination of their appointment, save for the compensation that is due to the non-executive directors in respect of their contractual notice entitlement as set out in their respective letters of appointment.
- 5.4 Save as disclosed above, there are no service contracts between any Murgitroyd Director and Murgitroyd and no such contract has been entered into or amended or any Murgitroyd Director's remuneration increased within the six months immediately prior to the date of publication of this Scheme Document.
- 5.5 The non-executive directors will resign on completion of the Acquisition.

## 6 Market quotations

The following table shows the closing middle market prices for Murgitroyd Shares as derived from the Daily AIM List for the first Dealing Day of each of the six months immediately prior to the date of publication of this Scheme Document, for 14 October 2019 (being the last Business Day prior to the commencement of the Offer Period) and the disclosure date:

<i>Date</i>	<i>Price per Murgitroyd Share (p)</i>
29 October 2019	670.00
14 October 2019	675.00
1 October 2019	580.00
2 September 2019	545.00
1 August 2019	607.50
1 July 2019	610.00
3 June 2019	580.00
1 May 2019	585.00

## 7 Irrevocable undertakings and other confirmations

- 7.1 The following Directors and their Connected Parties who are Murgitroyd Shareholders have given irrevocable undertakings: (i) to vote in favour of the Scheme at the Court Meeting and the Special Resolution to be proposed at the General Meeting in relation to the following Murgitroyd Shares; or (ii) if the Scheme is subsequently structured as a Takeover Offer, to accept the Takeover Offer:

### Directors and Connected Parties

<i>Name</i>	<i>Number of Murgitroyd Shares*</i>	<i>Percentage of issued share capital as at the disclosure date</i>	<i>Number of Options over Ordinary Shares under the Murgitroyd Share Schemes</i>
Ian George Murgitroyd	2,406,750	26.7%	N/A
George Edward Murgitroyd	387,526	4.3%	N/A
Elizabeth-Anne Thomson	387,526	4.3%	N/A
Mark Norman Kemp-Gee	5,000	0.06%	N/A
Gordon Drummond Stark	25	0.0003%	150,000
Keith Graeme Young	N/A	N/A	10,000
Total	3,186,827	35.3603%	160,000

\* The undertakings and numbers referred to in this table refer only to those Murgitroyd Shares to which the relevant Murgitroyd Director is beneficially entitled and any Murgitroyd Shares such Murgitroyd Director is otherwise able to control the exercise in terms of rights attaching to such Murgitroyd Share, including the ability to procure the transfer of such Murgitroyd Share. This number includes the number of Murgitroyd Shares (if any) held by family members/trusts/nominees of the relevant director to which the irrevocable also relates.

- 7.2 The irrevocable undertakings referred to in paragraph 7.1 will cease to be binding if:
- (a) any resolution to be proposed at the Court Meeting or the General Meeting is not approved by the requisite majority of the shareholders of the Company at the Court Meeting or at the General Meeting respectively;
  - (b) the Scheme does not become effective by 31 January 2020;
  - (c) the Scheme lapses or is withdrawn and there is no announcement of a subsequent offer by 31 January 2020;
  - (d) if there is a subsequent offer made by Bidco, an announcement of the subsequent offer under rule 2.7 of the Code is not released by such date as Bidco and Murgitroyd may, with the consent of the Panel, agree; or
  - (e) there is a subsequent offer made by Bidco, when the subsequent offer lapses or is withdrawn.
- 7.3 Bidco and/or Sovereign have received letters of intent from the following Murgitroyd Shareholders to vote (or to procure the voting) in favour of the Scheme at the Court Meeting and the Special Resolution to be proposed at the General Meeting (or, in the event that the Acquisition is implemented by way of a Takeover Offer, to accept or procure acceptance of the Takeover Offer):

### Letters of Intent

<i>Name</i>	<i>Number of Murgitroyd Shares</i>	<i>Percentage of issued share capital as at the disclosure date</i>
Schroder Investment Management Limited	614,042	6.8 per cent.
Liontrust Investment Partners LLP	1,139,030	12.6 per cent.
Total	1,753,072	19.4 per cent.

- 7.4 Bidco has received a non-binding letter of intent from Liontrust Investment Partners LLP to cast, or procure the casting of all votes (whether on a show of hands or on a poll and whether in person or by proxy) at any court meeting, general meeting or class meeting convened in connection with the Scheme in favour of the Scheme in respect of the 1,139,030 Murgitroyd Voting Shares, representing approximately 12.6 per cent. of the issued share capital of Murgitroyd as at the Last Practicable Date.
- 7.5 Sovereign has received a non-binding letter of intent from Schroder Investment Management Limited to accept, or procure the acceptance of, Bidco's offer (so far as reasonably practicable and unless and until Bidco's offer lapses or is withdrawn), in respect of 614,042 Murgitroyd Voting Shares, representing approximately 6.8 per cent. of the issued share capital of Murgitroyd as at the Last Practicable Date.

## 8 Material contracts

During the period beginning on the date falling two years before the commencement of the Offer Period and ending on the Last Practicable Date, Murgitroyd and Bidco and their respective subsidiaries, as applicable, entered into the following material contracts (other than contracts entered into in the ordinary course of business):

### 8.1 Murgitroyd

- (a) *Acquisition of Chapman IP*

On 20 February 2019 (the "**Completion Date**"), Murgitroyd & Company entered into a sale and purchase agreement ("**Advantip SPA**") with Helga Claire Chapman (the "**Advantip Seller**") pursuant to which Murgitroyd & Company acquired the entire issued share capital of Advantip Limited ("**Advantip**"). Advantip (now Murgitroyd (Chapman) Holdings Limited) is the parent

undertaking of Chapman IP Limited (now Murgitroyd (Chapman) Limited) (the “**Advantip Subsidiary**”) (Advantip and the Advantip Subsidiary together, the “**Chapman Group**”). Advantip was acquired for an initial cash consideration of £5,000,000, plus unsecured guaranteed loan notes of Murgitroyd & Company in an amount of £1,000,000 and plus or minus an amount equal to the net asset value of the Chapman Group on the Completion Date as determined by a set of completion accounts prepared in accordance with the Advantip SPA (the “**Additional Consideration**”).

The Advantip SPA contains customary warranties, covenants, undertakings and indemnities in a transaction of this nature.

(b) *February 2019 Financing Arrangements*

Murgitroyd & Company (as borrower), Murgitroyd and Clydesdale Bank PLC (“**Clydesdale**”) entered into a facility agreement on 20 February 2019 (the “**February 2019 Facility Agreement**”) under which Clydesdale agreed to provide a term loan of £4,000,000 (the “**Term Loan Facility**”) and a guarantee facility of up to £1,000,000 (the “**Guarantee Facility**”) (together the “**February 2019 Facilities**”) to Murgitroyd & Company.

The February 2019 Facilities were capable of drawdown to apply for payment to Helga Claire Chapman (the “**Vendor**”) of the purchase price (and guaranteeing the deferred purchase price) for the entire issued share capital of Advantip under the Advantip SPA.

On the date of the February 2019 Facility Agreement, Murgitroyd & Company drew down £4,000,000 of the Term Loan Facility. The funds were used to pay the purchase price to the Vendor pursuant to the Advantip SPA. The Additional Consideration under the Advantip SPA is payable by Murgitroyd & Company to the Vendor on the first anniversary of the Completion Date and the Guarantee Facility has therefore not yet been drawn down.

The Term Loan Facility has a term of five years from the Completion Date and accrues interest at 1.40 per cent. per annum, plus LIBOR.

The Guarantee Facility has a term of six years from the Completion Date and accrues interest at a rate of 1.40 per cent. per annum, plus LIBOR.

Interest is payable at the end of each interest period, which are 3 months. Default interest on any unpaid amount accrues at the rate of 2.40 per cent. per annum, plus LIBOR.

The February 2019 Facility Agreement contains certain customary representations and warranties, covenants and financial covenants which Murgitroyd & Company and Murgitroyd has provided in favour of Clydesdale.

The February 2019 Facility Agreement states that the February 2019 Facilities were only capable of being drawn subject to satisfying certain conditions precedent, which are now all satisfied.

The February 2019 Facilities are repayable in equal quarterly instalments of £200,000 (in respect of the Term Loan Facility) and £50,000 (in respect of the Guarantee Facility) on 28 February, 31 May, 31 August and 30 November in each year commencing on 31 May 2019 for the Term Loan Facility and 31 May 2020 for the Guarantee Facility.

The February 2019 Facilities are secured by debentures granted by each of Advantip and the Advantip Subsidiary.

## 8.2 Bidco

### *Commitment Letters*

In connection with the Acquisition:

- by an irrevocable commitment and subscription letter dated 18 October 2019, Sovereign committed to Bidco, Midco 1, Midco 2 and Topco to subscribe for £12,200,000 of 12 per cent. fixed rate unsecured loan notes to be constituted by Midco 1 for a total aggregate subscription price of not less than £12,200,000; and

- by an irrevocable commitment and subscription letter dated 18 October 2019, SCIV LP committed to Bidco, Midco 1, Midco 2 and Topco to subscribe for (a) £59,990,000 of 12 per cent. fixed rate unsecured loan notes constituted by Midco 1 for a total aggregate subscription price of not less than £59,990,000; and (b) 10,000 ordinary shares of £1 each in the capital of Topco for a total aggregate subscription price of not less than £10,000.

### 8.3 Acquisition Related Arrangement

#### *Confidentiality Agreement*

Sovereign and Murgitroyd entered into the Confidentiality Agreement on 8 August 2019 pursuant to which Sovereign has undertaken to keep confidential (on its own behalf and as agent for certain representatives), information relating to Murgitroyd and/or the Acquisition, to use such information solely for the agreed purposes in relation to the Acquisition and not disclose it to third parties (other than to authorised recipients) unless required by law or regulation.

Pursuant to the terms of the Confidentiality Agreement, Sovereign has also agreed to customary standstill arrangements pursuant to which, without the prior written consent of Murgitroyd, it and any persons acting in concert with it will not acquire Murgitroyd Shares or any interest in Murgitroyd Shares for 12 months following the date of the Confidentiality Agreement. These restrictions fall away upon the Directors agreeing to recommend an offer for Murgitroyd by Bidco, as is set out in this document. If the Acquisition does not complete, the confidentiality obligations shall remain in force for a period of 2 years from the date of the Confidentiality Agreement.

## 9 Significant change

Save as disclosed in this document, the Directors are not aware of any significant change in the financial or trading position of Murgitroyd which has occurred since 31 May 2019 (being the date to which the last audited financial statements of Murgitroyd were prepared).

## 10 Other information

- 10.1 Save as disclosed in this document, no dividends will be paid or declared by Murgitroyd between the date of this document and the Effective Date.
- 10.2 Nplus1 Singer has given and has not withdrawn its written consent to the issue of this Scheme Document and the inclusion herein of the references to its name in the form and context in which they are included.
- 10.3 Deloitte has given and has not withdrawn its written consent to the issue of this Scheme Document and the inclusion herein of the references to its name in the form and context in which they are included.
- 10.4 Zeus Capital has given and has not withdrawn its written consent to the issue of this Scheme Document and the inclusion herein of the references to its name in the form and context in which they are included.
- 10.5 Spectrum has given and has not withdrawn its written consent to the issue of this Scheme Document and the inclusion herein of the references to its name in the form and context in which they are included.
- 10.6 Save as disclosed in this document, no agreement, arrangement or understanding (including any compensation arrangement) exists between Bidco or any person acting in concert with it for the purposes of the Acquisition, and any of the Directors, recent directors of Murgitroyd, Murgitroyd Shareholders or recent shareholders of Murgitroyd, or any person interested or recently interested in Murgitroyd Shares, having any connection with, or dependence upon, the Acquisition.
- 10.7 No agreement, arrangement or understanding exists whereby the legal or beneficial ownership of any of the Murgitroyd Shares to be acquired by Bidco pursuant to the Acquisition will be transferred to any other person, save that Bidco reserves the right to transfer any such shares to any other member of the Bidco Group.

10.8 Settlement of the consideration under the Acquisition to which each Scheme Shareholder is entitled will be implemented in full in accordance with the terms of the Acquisition without regard to any right of lien, right of set off, counterclaim or other analogous right to which Bidco may otherwise be, or claim to be, entitled against such Murgitroyd Shareholder. This is without prejudice to Bidco's entitlement to reduce the amount of consideration payable by an amount equivalent to any dividend, other than the Final Dividend declared or paid prior to the Effective Date and retained by any Murgitroyd Shareholder.

10.9 The aggregate fees and expenses which are expected to be incurred by Murgitroyd in connection with the Acquisition are estimated to amount to approximately £1,607,000 (excluding applicable VAT). This aggregate number consists of the following categories:

- (a) financial and corporate broking advice: approximately £1,010,000 (excluding applicable VAT);
- (b) accounting advice: approximately £nil (excluding applicable VAT);
- (c) legal advice: approximately £510,000 (excluding applicable VAT);<sup>(1)</sup>
- (d) public relations advice: £nil (excluding applicable VAT);
- (e) other professional services: approximately £nil (excluding applicable VAT); and
- (f) other costs and expenses (including registrars/receiving agent fees and printing costs): approximately £87,000 (excluding applicable VAT).

<sup>(1)</sup> These services are charged by reference to hourly or daily rates. Amounts included here reflect the time incurred up to the last practicable date prior to the date of publication of this document and an estimate of further time required.

10.10 The aggregate fees and expenses which are expected to be incurred by Bidco in connection with the Acquisition are estimated to amount to approximately £5,055,000 (excluding applicable VAT). This aggregate number consists of the following categories:

- (a) financing arrangements: approximately £2,375,000 (excluding applicable VAT);
- (b) financial and corporate broking advice: approximately £1,505,000 (excluding applicable VAT);
- (c) legal advice: approximately £525,000 (excluding applicable VAT);
- (d) accounting advice: approximately £300,000 (excluding applicable VAT);
- (e) public relations advice: approximately £nil (excluding applicable VAT);
- (f) other professional services: approximately £350,000 (excluding applicable VAT); and
- (g) other costs and expenses: approximately £nil (excluding applicable VAT).

10.11 Save as disclosed in this document, the emoluments of Directors and the Bidco Directors will not be affected by the Acquisition or any other associated transaction.

10.12 There is no agreement or arrangement to which Bidco is a party which relates to the circumstances in which it may or may not invoke a condition to the Acquisition.

10.13 There are no arrangements of the kind referred to in Note 11 on the definition of acting in concert in the Code which exist between any member of the Bidco Group, or any person acting in concert with Bidco, and any other person.

10.14 There are no arrangements of the kind referred to in Note 11 on the definition of acting in concert in the Code which exist between Murgitroyd, or any person acting in concert with Murgitroyd, and any other person.

## **11 No set-off of consideration**

Except with the consent of the Panel, settlement of the consideration to which any Murgitroyd Shareholder is entitled under the Acquisition will be implemented in full in accordance with the terms of the Acquisition without regard to any lien, right of set-off, counterclaim or other analogous right to which Bidco may otherwise be, or claim to be, entitled against such Murgitroyd Shareholder.

## 12 Cash Confirmation

Zeus Capital, financial adviser to Bidco, has confirmed that it is satisfied that sufficient financial resources are available to Bidco to enable it to satisfy, in full, the cash consideration payable to Murgitroyd Shareholders under the terms of the Acquisition.

## 13 Bases of calculations and sources of information

In this document, unless otherwise stated, or the context otherwise requires, the following bases and sources have been used:

13.1 Financial information relating to Murgitroyd is extracted (without adjustment) from Murgitroyd's audited consolidated financial statements for the financial year ended 31 May 2019.

13.2 The value of the issued and to be issued share capital of Murgitroyd of £62.8 million on a fully diluted basis has been calculated as being the aggregate of the following:

- (a) £60.8 million, which has been calculated by multiplying 675 pence per share by 9,009,347 Murgitroyd Shares in issue as at the Last Practicable Date; and
- (b) £2.0 million, which has been calculated by multiplying 675 pence per share by the 299,000 Murgitroyd Shares expected to be issued pursuant to the Murgitroyd Unapproved Share Schemes.

13.3 The implied valuation of 13.8x EV/EBITDA for the year ended 31 May 2019 has been calculated on the basis of:

- (a) implied enterprise value ("**EV**") of £66.5m, being the sum of the aggregate transaction value of the entire issued and to be issued share capital of Murgitroyd of £62.8m (as described in paragraph 13.2 above) plus net debt of £3.7m as at 31 May 2019 based on Murgitroyd's audited consolidated financial statements for the financial year ended 31 May 2019; and
- (b) EBITDA of £4.8m for the year ended 31 May 2019, calculated on the basis of Murgitroyd's audited consolidated financial statements for the financial year ended 31 May 2019, being the sum of:
  - (i) total operating profit of £4.2m; plus
  - (ii) depreciation of property, plant and equipment of £0.4m; plus
  - (iii) amortisation of £0.3m,(together, "**EBITDA**").

13.4 The implied valuation of 20.5x P/E for the year ended 31 May 2019 has been calculated on the basis of:

- (a) the Cash Consideration of 675 pence per Murgitroyd Share ("**P**"); and
- (b) fully diluted earnings per share ("**E**") of 32.97 pence based on Murgitroyd's audited consolidated financial statements for the year ended 31 May 2019.

13.5 As at the Close of Business on 29 October 2019, being the Last Practicable Date, Murgitroyd had in issue 9,009,347 Murgitroyd Shares.

13.6 The fully diluted share capital of Murgitroyd (being 9,308,347 Murgitroyd Shares) is calculated on the basis of 9,009,347 Murgitroyd Shares in issue on 29 October 2019, and in addition up to an equivalent of 299,000 further Murgitroyd Shares which may be issued on or after the date of this document following the exercise of options, or settled via alternative means, which have a price of 675 pence or less, or via the vesting of awards under the Murgitroyd Unapproved Share Schemes.

13.7 The total return for shareholders (including dividends) over the period since initial admission of Murgitroyd shares to AIM of approximately 615 per cent. has been calculated by adding the Cash Consideration and all dividends received by Murgitroyd Shareholders since admission to AIM, subtracting the admission price of 121 pence and dividing the resulting figure by the admission price of 121 pence.

13.8 The average daily volumes of Murgitroyd Shares traded during the twelve month period ended 14 October 2019 of 6,894 have been derived from FactSet as at the Last Practicable Date.

13.9 Unless otherwise stated, all prices and closing prices for Murgitroyd Shares are closing middle market quotations derived from the Daily AIM List published by the London Stock Exchange and all volume weighted average prices for Murgitroyd Shares have been derived from FactSet as at the Last Practicable Date.

#### **14 Documents available for inspection**

14.1 Up to and including the Effective Date (or the date on which the Scheme lapses or is withdrawn, whichever is earlier), copies of the following documents can be viewed on Murgitroyd's and Bidco's websites ([www.murgitroydgroup.com](http://www.murgitroydgroup.com) and [www.sovereigncapital.co.uk](http://www.sovereigncapital.co.uk), respectively) and will be available for inspection during normal business hours on Monday to Friday of each week (public holidays excepted) at the offices of Burness Paull LLP, 50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ:

- (a) the memorandum of Murgitroyd and the Articles;
- (b) a draft of the Articles, as proposed to be amended at the General Meeting;
- (c) the Murgitroyd financial information incorporated by reference;
- (d) the irrevocable undertakings and letters of intent referred to in paragraph 7 above;
- (e) the Confidentiality Agreement referred to in paragraph 8.3 above;
- (f) the commitment letters referred to in paragraph 8.2 above;
- (g) the written consents referred to in paragraph 10 above;
- (h) this document and the Forms of Proxy; and
- (i) the memorandum and articles of association of Bidco.

#### **15 Date of publication**

This document was published on 30 October 2019.

## PART NINE

### UK TAXATION

**The following paragraphs, which are intended as a general guide only and not a substitute for detailed tax advice, are based on current UK legislation and HM Revenue & Customs published practice, both of which are subject to change, possibly with retrospective effect. They summarise certain limited aspects of the UK taxation treatment of Murgitroyd Shareholders. They relate only to the position of Murgitroyd Shareholders who are resident in the UK for taxation purposes at all relevant times and who hold their Murgitroyd Shares beneficially as an investment (other than under a personal equity plan or an individual savings account) and who have not (and are not deemed to have) acquired their Murgitroyd Shares by reason of an office or employment. The comments below apply only to certain categories of person and, in particular, may not apply to such persons as market makers, brokers, dealers, intermediaries and persons connected with depositary arrangements or clearance services, to whom special rules may apply.**

**If you are in any doubt as to your taxation position or if you may be subject to taxation in any jurisdiction other than the United Kingdom, you should consult an appropriately qualified independent professional adviser immediately.**

#### *UK taxation of chargeable gains*

A Murgitroyd Shareholder's liability to UK taxation of chargeable gains in respect of the disposal of Murgitroyd Shares pursuant to the Acquisition will depend on that shareholder's individual circumstances.

The sale of Murgitroyd Shares by a Murgitroyd Shareholder pursuant to the Acquisition will constitute a disposal of his or her shareholding. Such a disposal may give rise to a liability to UK taxation of chargeable gains depending on the Murgitroyd Shareholder's individual circumstances (including the availability of exemptions, reliefs and allowable losses) and, in particular, the Murgitroyd Shareholder's base cost in his or her holding of Murgitroyd Shares.

Subject to available reliefs or allowances, gains arising on a disposal of Murgitroyd Shares by an individual Murgitroyd Shareholder will be taxed at the rate of 10 per cent. except to the extent that the gain, when it is added to the Murgitroyd Shareholder's other taxable income and gains in the relevant tax year, exceeds the upper limit of the income tax basic rate band, in which case it will be taxed at 20 per cent.

The capital gains tax annual exemption (£12,000 for 2019/20) may be available to individual Murgitroyd Shareholders to offset against chargeable gains realised on the disposal of their Murgitroyd Shares.

For Murgitroyd Shareholders within the charge to UK corporation tax (but which do not qualify for the substantial shareholdings exemption in respect of their Murgitroyd Shares), an indexation allowance up to and including 31 December 2017 may be available in respect of any period of ownership of Murgitroyd Shares before 1 January 2018 to reduce any chargeable gain arising (but not to create or increase an allowable loss) on the disposal of Murgitroyd Shares.

#### *Murgitroyd Unapproved Share Schemes*

Special tax provisions may apply to Murgitroyd Shareholders who have acquired or acquire their Murgitroyd Shares by exercise of options under the Murgitroyd Unapproved Share Schemes, including provisions imposing a charge to UK income tax and National Insurance contributions when such an option is exercised and Murgitroyd Shares are acquired. Such Murgitroyd Shareholders are advised to seek independent professional advice in this regard.

#### *Stamp Duty and Stamp Duty Reserve Tax ("SDRT")*

No UK stamp duty or SDRT will be payable by Murgitroyd Shareholders as a result of the Acquisition.

## PART TEN

### DEFINITIONS

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

<b>“£”, “Sterling” or “pence”</b>	the lawful currency of the UK
<b>“Acquisition”</b>	the proposed recommended acquisition by Bidco of the entire issued and to be issued share capital of Murgitroyd by means of the Scheme, on the terms and subject to the conditions set out in this document (or the Takeover Offer, under certain circumstances as described in this document)
<b>“AIM Rules”</b>	the rules published by the London Stock Exchange, which set out the rules and responsibilities in relation to companies with a class of securities admitted to trading on AIM
<b>“AIM”</b>	the market of that name operated by the London Stock Exchange
<b>“Announcement”</b>	the joint announcement of the Acquisition, dated 18 October 2019, by Bidco and Murgitroyd in accordance with Rule 2.7 of the Code
<b>“Announcement Date”</b>	18 October 2019
<b>“Articles”</b>	the present articles of association of Murgitroyd
<b>“Authorisations”</b>	regulatory authorisations, orders, recognitions, grants, consents, clearances, confirmations, certificates, licences, permissions or approvals
<b>“Bidco”</b>	Project Petra Bidco Limited, a company registered in England and Wales (registered number 12224288) whose registered office address is at 25 Victoria Street, London, SW1H 0EX
<b>“Bidco Directors”</b>	the persons set out in paragraph 2.2 of Part Eight ( <i>Additional Information</i> ) of this document
<b>“Bidco Group”</b>	Bidco and its subsidiaries, subsidiary undertakings, associated undertakings, holding companies, and their respective subsidiaries, subsidiary undertakings, associated undertakings, holding companies and any other body corporate, partnership, joint venture or person in which Bidco and all such undertakings (aggregating their interests) have a Significant Interest or which have a Significant Interest in Bidco or any other member of the Bidco Group
<b>“Bidco Shares”</b>	one share of £1.00 in the capital of Bidco
<b>“Board”</b>	the board of directors of Murgitroyd
<b>“Business Day”</b>	a day (other than Saturdays, Sundays and public or bank holidays in the UK) on which banks are generally open for business in the City of London
<b>“Cash Consideration”</b>	the consideration of 675 pence per Scheme Share, payable in cash to Scheme Shareholders in respect of each Scheme Share held by them at the Scheme Record Time in accordance with the terms of the Acquisition

<b>“certificated form” or “in certificated form”</b>	a share or other security which is not in uncertificated form (that is, not in CREST)
<b>“Close of Business”</b>	6.00 p.m. on a relevant Business Day
<b>“Closing Price”</b>	(a) in respect of a Murgitroyd Share on any particular day, the closing middle market quotation thereof as derived from the Daily AIM List on that day; or  (b) in respect of average closing prices for certain periods, the average closing price for the relevant period as derived from Factset
<b>“CMA Reference”</b>	a reference of the Acquisition to the chair of the Competition and Markets Authority for the constitution of a group under Schedule 4 to the Enterprise and Regulatory Reform Act 2013
<b>“Code”</b>	the City Code on Takeovers and Mergers issued from time to time by the Panel
<b>“Companies Act”</b>	the Companies Act 2006, as amended from time to time
<b>“Competition and Markets Authority”</b>	a UK statutory body established under the Enterprise and Regulatory Reform Act 2013
<b>“Conditions”</b>	the conditions to the implementation of the Acquisition (including the Scheme) as set out in Part Four ( <i>Conditions and certain further terms of the Scheme and the Acquisition</i> ) of this document
<b>“Confidentiality Agreement”</b>	the confidentiality agreement relating to the Acquisition entered into by Sovereign and Murgitroyd on 8 August 2019
<b>“Court”</b>	the Court of Session in Edinburgh
<b>“Court Meeting”</b>	the meeting of the Scheme Shareholders to be convened by order of the Court pursuant to section 896 of the Companies Act, notice of which is set out in Part Eleven ( <i>Notice of Court Meeting</i> ) of this document, for the purpose of approving the Scheme, including any adjournment thereof
<b>“Court Order”</b>	the order of the Court to be made at the Sanction Hearing, sanctioning the Scheme under Part 26 of the Companies Act
<b>“CREST”</b>	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the Operator (as defined in the CREST Regulations) in accordance with which securities may be held and transferred in uncertificated form
<b>“CREST Manual”</b>	the CREST Manual referred to in agreements entered into by Euroclear
<b>“CREST member”</b>	a person who is, in relation to CREST, a system member (as defined in the CREST Regulations)
<b>“CREST Regulations”</b>	the Uncertificated Securities Regulations 2001 (SI 2001/3755)
<b>“CREST sponsor”</b>	a person who is, in relation to CREST, a sponsoring system participant (as defined in the CREST Regulations)
<b>“CREST sponsored member”</b>	a CREST member admitted to CREST as a sponsored member under the sponsorship of a CREST sponsor

<b>“Daily AIM List”</b>	the AIM Appendix to the daily official list of the London Stock Exchange
<b>“Dealing Day”</b>	a day on which dealing in domestic securities may take place on, and with the authority of the London Stock Exchange
<b>“Dealing Disclosure”</b>	an announcement pursuant to Rule 8 of the Code containing details of dealings in interests in relevant securities of a party to an offer
<b>“Deloitte”</b>	Deloitte LLP
<b>“Directors”</b>	the directors of Murgitroyd as at the date of this document
<b>“Disclosed”</b>	<p>information which has been either:</p> <ul style="list-style-type: none"> <li>(a) fairly disclosed by, or on behalf of, Murgitroyd to Bidco (or its advisers) in the data room established by Murgitroyd for the purposes of the Acquisition, on or before 5.30 p.m. on the Last Practicable Date;</li> <li>(b) disclosed in the annual report and accounts for Murgitroyd for the financial period ended 31 May 2019;</li> <li>(c) disclosed in any announcement by, or on behalf of, Murgitroyd, and published on the Murgitroyd website, <a href="http://www.murgitroydgroup.com">www.murgitroydgroup.com</a> prior to the publication of this document;</li> <li>(d) disclosed in this document; or</li> <li>(e) fairly disclosed to Bidco (or its respective officers, employees, agents or advisers) in writing on or before the Business Day prior to the date of this document (including all matters fairly disclosed in the written replies, correspondence, documentation and information provided in an electronic data room or sent to any member of the Bidco Group or Sovereign or their affiliates or any of their professional advisers during the due diligence process and whether or not in response to any specific request for information made by any member of the Bidco Group or Sovereign or their affiliates or any of their professional advisers)</li> </ul>
<b>“Disclosure Guidance and Transparency Rules”</b>	the disclosure guidance and transparency rules made by the FCA, as amended from time to time
<b>“Dividend Record Date”</b>	Close of Business on 11 October 2019
<b>“Effective”</b>	the Scheme having become effective in accordance with its terms, upon delivery of the Court Order to the Registrar of Companies
<b>“Effective Date”</b>	the date upon which the Scheme becomes effective in accordance with its terms
<b>“Euroclear”</b>	Euroclear UK & Ireland Limited, a limited company incorporated in England and Wales with registered number 02878738
<b>“Excluded Shares”</b>	<p>any Murgitroyd Shares:</p> <ul style="list-style-type: none"> <li>(a) held by Bidco or, otherwise, directly or indirectly by the Sovereign Investors; and</li> <li>(b) held by the Company in treasury from time to time</li> </ul>
<b>“FCA”</b>	the Financial Conduct Authority

<b>“Final Dividend”</b>	has the meaning given to it in paragraph 2 of Part One ( <i>Letter from the Chairman of Murgitroyd</i> )
<b>“Forms of Proxy”</b>	the forms of proxy in connection with each of the Court Meeting and the General Meeting
<b>“General Meeting”</b>	the general meeting of Murgitroyd Shareholders to be convened in connection with the Scheme, notice of which is set out in Part Twelve ( <i>Notice of General Meeting</i> ) of this document, including any adjournment thereof
<b>“IPReg”</b>	the Intellectual Property Regulation Board in the United Kingdom
<b>“Last Practicable Date”</b>	the last practicable date prior to the publication of this document
<b>“Link Asset Services”</b> or the <b>“Registrar”</b>	Murgitroyd’s registrar, Link Asset Services, a trading name of Link Market Services Limited
<b>“London Stock Exchange”</b>	London Stock Exchange plc
<b>“Long Stop Date”</b>	31 January 2020, or such later date (if any) as may be agreed by Bidco and Murgitroyd (with the consent of the Panel) and the approval of the Court
<b>“Meetings”</b>	the Court Meeting and the General Meeting
<b>“Midco 1”</b>	Project Petra Midco 1 Limited, a company incorporated in England and Wales (registered number 12237523) whose registered office address is at 25 Victoria Street, London, SW1H 0EX
<b>“Midco 2”</b>	Project Petra Midco 2 Limited, a company incorporated in England and Wales (registered number 12240333) whose registered office address is at 25 Victoria Street, London, SW1H 0EX
<b>“Murgitroyd”</b> or the <b>“Company”</b>	Murgitroyd Group PLC, registered in Scotland with registered number SC221766 and whose registered office is at Scotland House, 165-169 Scotland Street, Glasgow, G5 8PL
<b>“Murgitroyd Group”</b>	Murgitroyd and its subsidiaries, subsidiary undertakings, associated undertakings and any other body corporate, partnership, joint venture or person in which Murgitroyd and all such undertakings (aggregating their interests) have a Significant Interest
<b>“Murgitroyd Options”</b>	options granted under the Murgitroyd Unapproved Share Schemes
<b>“Murgitroyd Optionholders”</b>	the holders of options granted pursuant to the Murgitroyd Unapproved Share Schemes
<b>“Murgitroyd Shareholders”</b>	the registered holders of Murgitroyd Shares from time to time
<b>“Murgitroyd Shares”</b>	the existing issued, and fully paid ordinary shares of 10 pence each in the capital of Murgitroyd and any such further ordinary shares which are issued before the Effective Date
<b>“Murgitroyd Unapproved Share Schemes”</b>	the Murgitroyd Group PLC Unapproved Employee Share Option Schemes, adopted by the Board of Murgitroyd in 2004 and 2010 respectively
<b>“Murgitroyd Voting Shares”</b>	the Murgitroyd Shares excluding the Excluded Shares
<b>“Nplus1 Singer”</b>	Nplus1 Singer Advisory LLP, Nominated Advisor to Murgitroyd

<b>“Offer Period”</b>	in relation to the Acquisition, has the meaning given to it in the Code, which period commenced on release of the announcement dated 15 October 2019 pursuant to Rule 2.4 of the Code
<b>“Opening Position Disclosure”</b>	has the same meaning as in Rule 8 of the Code
<b>“Overseas Shareholders”</b>	Murgitroyd Shareholders who are not resident in, ordinarily resident in, or citizens of, the United Kingdom
<b>“Panel”</b>	the Panel on Takeovers and Mergers
<b>“Petition”</b>	the application to the Court for it to sanction the Scheme
<b>“Registrar of Companies”</b>	the Registrar of Companies in Scotland
<b>“Regulation”</b>	Council Regulation (EC) 139/2004
<b>“Regulatory Information Service”</b>	any information service authorised from time to time by the FCA for the purpose of disseminating regulatory announcements
<b>“Restricted Jurisdiction”</b>	any jurisdiction where local laws or regulations may result in a significant risk of civil, regulatory or criminal exposure if the information concerning the Acquisition is sent or made available to Murgitroyd Shareholders in that jurisdiction
<b>“Sanction Hearing”</b>	the hearing by the Court of the application to sanction the Scheme under Part 26 of the Companies Act
<b>“Scheme”</b>	the scheme of arrangement proposed to be made under Part 26 of the Companies Act between Murgitroyd and the Scheme Shareholders, with or subject to any modification, addition or condition approved or imposed by the Court and agreed to by Murgitroyd and Bidco
<b>“SCIV LP”</b>	Sovereign Capital IV Limited Partnership, a fund managed on a discretionary basis by BB Shelf 4 LLP which in turn is controlled by Sovereign
<b>“Scheme Document”</b>	this document
<b>“Scheme Record Time”</b>	6.00 p.m. on the Business Day immediately after the Sanction Hearing
<b>“Scheme Shareholders”</b>	holders of Scheme Shares
<b>“Scheme Shares”</b>	<p>all Murgitroyd Shares:</p> <ul style="list-style-type: none"> <li>(a) in issue at the date of this document;</li> <li>(b) issued after the date of this document and before the Voting Record Time (if any); and</li> <li>(c) issued at or after the Voting Record Time and before the Scheme Record Time in respect of which the original or any subsequent holders thereof are, or shall have agreed in writing to be, bound by the Scheme (if any),</li> </ul> <p>in each case excluding the Excluded Shares</p>
<b>“SCP Responsible Persons”</b>	the persons set out in paragraph 2.3 of Part Eight of this document

<b>“Significant Interest”</b>	in relation to an undertaking, a direct or indirect interest of 20 per cent. or more of: (i) the total voting rights conferred by the equity share capital (as defined in section 548 of the Companies Act) of such undertaking; or (ii) the relevant partnership interest
<b>“Sovereign”</b>	Sovereign Capital Partners LLP
<b>“Sovereign Investors”</b>	SCIV LP and certain persons and managers connected to SCIV LP
<b>“Special Resolution”</b>	the special resolution to be proposed at the General Meeting in connection with, among other things: (i) the approval of the Scheme; (ii) the alteration of the Articles; and (iii) and such other matters as may be necessary to implement the Scheme
<b>“Spectrum”</b>	Spectrum Corporate Finance Limited
<b>“Takeover Offer”</b>	should the Acquisition be implemented by way of a takeover offer as defined in Chapter 3 of Part 28 of the Companies Act, the offer to be made by or on behalf of Bidco to acquire the entire issued and to be issued share capital of Murgitroyd and, where the context requires, any subsequent revision, variation, extension or renewal of such offer and includes any election available thereunder
<b>“Third Party”</b>	each of a central bank, government or governmental, quasi-governmental, supranational, statutory, regulatory, environmental, administrative, fiscal or investigative body, court, trade agency, association, institution, environmental body, employee representative body or any other body or person whatsoever performing a similar function in any jurisdiction
<b>“Topco”</b>	Project Petra Topco Limited, a company incorporated in England and Wales (registered number 12236310) whose registered office is at 25 Victoria Street, London, SW1H 0EX, the ultimate holding company of Bidco
<b>“uncertificated form” or “in uncertificated form”</b>	in respect of a share or other security, recorded on the relevant register as being held in uncertificated form in CREST, and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
<b>“UK”</b>	the United Kingdom of Great Britain and Northern Ireland
<b>“United States of America”, “United States” or “US”</b>	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
<b>“US Exchange Act”</b>	the United States Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder (as amended)
<b>“US Tax Code”</b>	the US Internal Revenue Code of 1986, as amended
<b>“Voting Record Time”</b>	in respect of the Court Meeting, 6.30 p.m. (London time) on the day which is two Business Days before the date of such meeting or adjournment thereof (as the case may be)
<b>“Zeus Capital”</b>	Zeus Capital Limited

For the purposes of this document, “subsidiary”, “subsidiary undertaking”, “undertaking” and “associated undertaking” have the meanings given by the Companies Act.

References to an enactment include references to that enactment as amended, replaced, consolidated or re-enacted by or under any other enactment before or after the date of this document. All references to time in this document are to London time unless otherwise stated. Words importing the singular shall include the plural and vice versa.

## PART ELEVEN

### NOTICE OF COURT MEETING

# MURGITROYD GROUP PLC

*(Registered in Scotland with Company Registration Number SC221766)*

**NOTICE IS HEREBY GIVEN** that, by an order dated 29 October 2019 (the **“Order”**), the Court of Session in Edinburgh has directed that a meeting (the **“Court Meeting”**) be convened of the “Scheme Shareholders” (as defined in the Scheme of Arrangement referred to below) for the purpose of considering and, if thought fit, approving (with or without modification) a scheme of arrangement (the **“Scheme”**) pursuant to Part 26 of the Companies Act 2006 (the **“Companies Act”**) proposed to be made between Murgitroyd Group PLC (the **“Company”**) and the Scheme Shareholders who are defined in the Scheme and that the Court Meeting will be held at the offices of Burness Paull LLP, 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ on 26 November 2019 at 2.30 p.m., at which place and time all Scheme Shareholders are requested to attend.

At the Court Meeting, the following resolution will be proposed:

“That the scheme of arrangement dated 30 October 2019 (the **“Scheme”**), between the Company and the Scheme Shareholders (as defined in the Scheme), a print of which has been produced to this meeting and, for the purposes of identification, signed by the chairman hereof in its original form or with or subject to any modification, addition or condition approved or imposed by the Court, be approved and the directors of the Company be authorised to take all such actions as they consider necessary or appropriate for carrying the Scheme into effect.”

Voting on the resolution will be by poll which may be conducted as the chairman of the Court Meeting shall determine. For the Court Meeting (or any adjournment thereof) to be properly convened, a quorum of two persons entitled to vote on the business to be transacted, each being a Scheme Shareholder, the proxy of a Scheme Shareholder or (where the Scheme Shareholder is a corporation) a duly authorised representative must be present.

A copy of the Scheme and a copy of the explanatory statement required to be furnished pursuant to section 897 of the Companies Act are incorporated in the document of which this notice forms part.

Entitlement to attend and vote at the Court Meeting (or if it is adjourned, at any adjourned meeting) (and the number of votes which may be cast thereat) will be determined by reference to the number of Scheme Shares registered in the name of a Scheme Shareholder in the register of members of the Company at 6.30 p.m. on 22 November 2019 or, in the case of an adjourned meeting, at 6.30 p.m. on the day which is two Business Days (as defined in the Scheme) before the date of the adjourned meeting. In each case, changes to the register of members of the Company after 6.30 p.m. on the relevant date will be disregarded in determining the right to attend and vote at the Court Meeting.

In the case of Scheme Shareholders who hold their Scheme Shares jointly (**“Joint Holders”**), the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other Joint Holder(s) and, for this purpose, seniority will be determined by the order in which the names in respect of the joint holding stand in the register of members of the Company.

Scheme Shareholders may vote in person at the Court Meeting or they may appoint another person, whether a member of the Company or not and whether a Scheme Shareholder or not, as their proxy to attend, speak and vote on their behalf. A BLUE Form of Proxy for use at the Court Meeting accompanies this notice. Completion and return of a BLUE Form of Proxy will not prevent a Scheme Shareholder from attending and voting at the Court Meeting, or any adjournment thereof, in person if he or she wishes to do so.

Any corporation which is a Scheme Shareholder can appoint one or more corporate representatives in writing who may exercise on its behalf all of its powers as a Scheme Shareholder provided that: (i) no more than one corporate representative is appointed over each Scheme Share; and (ii) only one corporate representative is to be counted in determining, under section 899(1) of the Companies Act, whether a majority in number of the Scheme Shareholders has approved the Scheme.

The chairman of the Court Meeting may require a corporate representative to produce to the Company's registrars his written authority to attend and vote at the Court Meeting.

By the Order, the Court has appointed Ian Murgitroyd or, failing him, Gordon Stark to act as chairman of the Court Meeting and has directed the chairman of the Court Meeting to report the result thereof to the Court.

The Scheme of Arrangement will be subject to the subsequent sanction of the Court.

Dated: 30 October 2019

**Burness Paul LLP**

50 Lothian Road  
Festival Square  
Edinburgh EH3 9WJ  
Scotland

Solicitors for the Company

Notes:

- (i) Scheme Shareholders are entitled to appoint a proxy in respect of some or all of their Scheme Shares. Scheme Shareholders are also entitled to appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to at least one different Scheme Share. In order to be valid, completed and signed BLUE Forms of Proxy must be lodged with Link Asset Services, The Registry, PXS1, 34 Beckenham Road, Beckenham, Kent, BR3 4TU by no later than 2.30 p.m. on 22 November 2019 or, in the case of an adjourned meeting, no later than the relevant deadline for the return of forms of proxy on the day two Business Days before the day of the adjourned meeting all in accordance with the instructions printed on the BLUE Form of Proxy. If BLUE Forms of Proxy are not so lodged or sent, they may be handed to Link Asset Services on behalf of the chairman of the Court Meeting at the Court Meeting before the taking of the poll, or if the Court Meeting is adjourned, at that adjourned meeting.
- (ii) Scheme Shareholders who hold Scheme Shares through CREST and who wish to appoint a proxy or proxies through the CREST Electronic Proxy Service may do so for the Court Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual, which can be viewed at [www.euroclear.com](http://www.euroclear.com). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.
- (iii) In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "**CREST Proxy Voting Instruction**") must be properly authenticated in accordance with the specifications of Euroclear UK & Ireland Limited ("**Euroclear**") and must contain the information required for such instructions, as described in the CREST Manual (available via [www.euroclear.com](http://www.euroclear.com)). The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by Link Asset Services (participant ID RA1Q) by no later than 2.30 p.m. on 22 November 2019 (or, in the case of an adjourned meeting, no later than 2.30 p.m. on the day two Business Days before the day of the adjourned meeting). For this purpose, the time of receipt will be taken as the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which Link Asset Services are 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.
- (iv) CREST members and, where applicable, their CREST sponsor or voting service provider, should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Voting 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 or her CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In connection with this, CREST members and, where applicable, their CREST sponsor or voting service provider are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Voting Instruction in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

## PART TWELVE

### NOTICE OF GENERAL MEETING

# MURGITROYD GROUP PLC

*(Registered in Scotland with Company Registration Number SC221766)*

Notice is hereby given that a general meeting of Murgitroyd Group PLC (the **"Company"**) will be held at the offices of Burness Paull LLP, 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ on 26 November 2019 at 2.45 p.m. (or as soon thereafter as the Court Meeting (as defined in the document of which this notice forms part, being the **"Scheme Document"**) convened for 2.30 p.m. (on the same day and at the same place) shall have concluded or been adjourned) for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed as either ordinary or special resolutions (as indicated):

### SPECIAL RESOLUTION

THAT, for the purpose of giving effect to the scheme of arrangement (the **"Scheme"**) dated 30 October 2019 between the Company and the holders of Scheme Shares (as defined in the Scheme), a print of which has been produced to this meeting and for the purposes of identification signed by the chairman hereof, in its original form or subject to such modification, addition or condition as may be agreed between the Company and Project Petra Bidco Limited (**"Bidco"**) and approved or imposed by the Court:

- (1) the directors of the Company be authorised to take all such action as they may consider necessary or appropriate for carrying the Scheme into full effect;
- (2) with effect from the passing of this resolution, the articles of association of the Company be and are hereby amended by the adoption and inclusion of the following new article 124 after article 123 (and amending the remainder of the articles and any cross references thereto accordingly):

#### **"124 Scheme of Arrangement**

124.1 In this Article 124, references to the Scheme are to the scheme of arrangement dated 30 October 2019 under Part 26 of the Companies Act 2006 between the Company and the holders of Scheme Shares (as defined in the Scheme) as it may be modified or amended in accordance with its terms, and expressions defined in the Scheme shall have the same meanings in this Article 124.

124.2 Notwithstanding either any other provision of these Articles or the terms of any resolution whether ordinary or special passed by the Company in general meeting, if the Company issues any ordinary shares (other than to Bidco (as defined in the Scheme) or its nominee(s)) on or after the Voting Record Time (as defined in the Scheme), such shares shall be issued subject to the terms of the Scheme (and shall be Scheme Shares for the purposes thereof) and the original or any subsequent holder or holders of such ordinary shares shall be bound by the Scheme accordingly.

124.3 Notwithstanding any other provision of these Articles, if any ordinary shares are issued to any person (other than Bidco or its nominee(s)) (the **"New Member"**) after the Scheme Record Time, such New Member (or any subsequent holder or any nominee of such New Member or any such subsequent holder) will, provided the Scheme shall have become effective, be obliged to transfer forthwith all the ordinary shares held by the New Member (or any subsequent holder or any nominee of such New Member or any such subsequent holder) (the **"Disposal Shares"**) to Bidco (or as Bidco may otherwise direct) who shall be obliged to acquire all of the Disposal Shares in consideration of and conditional on the payment by or on behalf of Bidco to the New Member of an amount in cash for each Disposal Share equal to the consideration that the New Member would have been entitled to had each Disposal Share been a Scheme Share.

124.4 On any reorganisation of, or material alteration to, the share capital of the Company (including, without limitation, any subdivision and/or consolidation), the value of the consideration per Disposal Share to be paid under Article 124.3 above shall be adjusted by the Directors in such

manner as the auditors of the Company or an independent investment bank selected by the Company may determine to be fair and reasonable to the New Member to reflect such reorganisation or alteration. References in this Article 124 to ordinary shares shall, following such adjustment, be construed accordingly.

- 124.5 To give effect to any transfer required by this Article 124, the Company may appoint any person as attorney for the New Member to execute and deliver as transferor a form of transfer or instructions of transfer on behalf of the New Member (or any subsequent holder or any nominee of such New Member or any such subsequent holder) in favour of Bidco and do all such other things and execute and deliver all such documents as may in the opinion of the attorney be necessary or desirable to vest the Disposal Shares in Bidco and pending such vesting to exercise all such rights to the Disposal Shares as Bidco may direct. If an attorney is so appointed, the New Member shall not thereafter (except to the extent that the attorney fails to act in accordance with the directions of Bidco) be entitled to exercise any rights attaching to the Disposal Shares unless so agreed by Bidco. The Company may give good receipt for the purchase price of the Disposal Shares and may register Bidco as holder thereof and issue to it certificates for the same. The Company shall not be obliged to issue a certificate to the New Member for any Disposal Shares. Bidco shall send a cheque drawn on a UK clearing bank (or shall procure that such a cheque is sent) in favour of the New Member (or any subsequent holder or any nominee of such New Member or any such subsequent holder) for the purchase price of such Disposal Shares within 14 days of the date on which the Disposal Shares are issued, to the New Member.
- 124.6 If the Scheme shall not have become effective by the date referred to in clause 5.2 of the Scheme, (or such later date, if any, as Bidco and the Company may agree and the Court and the Panel on Takeovers and Mergers may allow) this Article 124 shall be of no effect.
- 124.7 Notwithstanding any other provision of these Articles, both the Company and the Directors may refuse to register the transfer of any Scheme Shares effected between the Scheme Record Time and the Effective Date.
- 124.8 Notwithstanding any other provision of these Articles, both the Company and the Directors may refuse to register the transfer of any ordinary shares other than as provided by this Article 124.”

## ORDINARY RESOLUTIONS

THAT the directors be authorised to amend the rules of: (i) The Murgitroyd Group PLC Unapproved Employee Share Option Scheme adopted by resolution of the board of directors passed on 28 January 2004; and (ii) The Murgitroyd Group PLC Unapproved Employee Share Option Scheme adopted by resolution of the board of directors passed on 25 February 2010 (together, the **“Option Schemes”**), in each case to: (a) provide that any unexercised options granted under the rules of the Option Schemes that may be exercised in the event of a court sanctioning a compromise or arrangement in respect of the Company under section 899 of the Companies Act 2006 will lapse on the Scheme Record Time (as defined in the Scheme); and (b) enable option holders to enter into such arrangements as are approved by the Company from time to time with regard to the payment under their respective options on exercise.

30 October 2019

**By Order of the Board**

*Registered Office:*

Scotland House

165-169 Scotland Street

Glasgow G5 8PL

Registered in Scotland, Company Registration No. SC221766

Notes:

- (i) A Murgitroyd Shareholder who is entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and speak and vote on his/her behalf. A Murgitroyd Shareholder may appoint more than one proxy provided that each proxy is appointed to exercise rights attached to different shares. A Murgitroyd Shareholder may not appoint more than one proxy to exercise rights attached to any one share. A proxy need not be a Murgitroyd Shareholder of Murgitroyd.
- (ii) A WHITE Form of Proxy for use by Murgitroyd Shareholders in connection with the meeting is enclosed with this document. To be valid, the WHITE Form of Proxy should be completed and signed and sent or delivered, together with any power of attorney or other authority (if any) under which it is signed or an extract from the Books of Council and Session or a notarially certified copy, in accordance with the instructions contained therein, so as to reach Murgitroyd's registrars, Link Asset Services, at the address stated thereon, not later than 2.45 p.m. on 22 November 2019. Shareholders may also vote or lodge their proxy through CREST in accordance with note (iii) below.
- (iii) Registered Murgitroyd Shareholders who are CREST members who are entitled to attend and vote at the meeting and who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting, or any adjournment of it, by utilising the procedures described in the CREST Manual ([www.euroclear.com](http://www.euroclear.com)). CREST Personal Members or other CREST Sponsored Members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made by means of the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy, or 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 Murgitroyd's agent, Link Asset Services (participant ID RA1Q), by 2.45 p.m. on 22 November 2019. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Murgitroyd'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.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited 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 therefore the responsibility of the CREST member concerned to take (or procure the taking of) 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 service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

Murgitroyd may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

- (iv) Completing and returning a WHITE Form of Proxy will not prevent a Murgitroyd Shareholder from attending in person at the meeting referred to above and voting should he or she wish to do so.
- (v) Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001 (as amended) and for the purposes of section 360B of the Companies Act 2006, Murgitroyd specifies that only those ordinary Murgitroyd Shareholders entered on the register of members of Murgitroyd as at 6.30 p.m. on 22 November 2019 or, in the event that the meeting is adjourned, on the register of members at 6.30 p.m. on the day falling two Business Days (as defined in the Scheme) before the date of any adjourned meeting, shall be entitled to attend or vote at the meeting in respect of the number of ordinary shares registered in their name at that time. Changes to the entries on the register of members after 6.30 p.m. on 22 November 2019 or, in the event that the meeting is adjourned, on the register of members at 6.30 p.m. (UK time) on the day falling two Business Days before the date of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting, notwithstanding any provisions in any enactment, the articles of association of Murgitroyd or other instrument to the contrary.
- (vi) If you are not a member of Murgitroyd but you have been nominated by a member of Murgitroyd to enjoy information rights, you do not have a right to appoint a proxy. See note (viii) below.
- (vii) If you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights:
  - (a) you may have a right under an agreement between you and the member of Murgitroyd who has nominated you ("**Relevant Member**") to have information rights to be appointed or to have someone else appointed as a proxy for the meeting;
  - (b) if you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights.
- (viii) 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.
- (ix) Any member attending the meeting has the right to ask questions. Murgitroyd must cause to be answered any question relating to the business being dealt with at the meeting put by a member attending the meeting. However, members should note that no answer need be given in the following circumstances:
  - (a) if to do so would interfere unduly with the preparation of the meeting or would involve a disclosure of confidential information;
  - (b) if the answer has already been given on a website in the form of an answer to a question; or
  - (c) if it is undesirable in the interests in Murgitroyd or the good order of the meeting that the question be answered.

- (x) If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in Murgitroyd's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure Guidance and Transparency Rules, the Chairman will make the necessary notifications to Murgitroyd and the Financial Conduct Authority. As a result, any member holding 3 per cent. or more of the voting rights in Murgitroyd who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure Guidance and Transparency Rules, need not make a separate notification to Murgitroyd and the Financial Conduct Authority.
- (xi) As at 29 October 2019 (being the last practicable date prior to publication of this Notice) Murgitroyd's issued share capital consisted of 9,000,347 ordinary shares of 10 pence each, carrying one vote each, of which, none is a treasury share. Therefore, total voting rights in Murgitroyd as at 29 October 2019 are 9,000,347.
- (xii) This Notice, together with information about the total numbers of shares in Murgitroyd in respect of which members are entitled to exercise voting rights at the meeting as at 29 October 2019, being the last Business Day prior to the printing of this Notice, can be found on Murgitroyd's website [www.murgitroydgroup.com](http://www.murgitroydgroup.com).
- (xiii) A member may not use any electronic address provided either in this Notice of General Meeting or any related documents to communicate with Murgitroyd for any purpose other than those expressly stated.

