

RNS Number : 0225P
Mountfield Group plc
15 February 2021

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Mountfield Group Plc ("Group" or "Company")

Proposed Disposal of Operating Businesses

Conditional Placing

Proposed Change of Name

Posting of Circular and Temporary Suspension

Appointment of Broker

Mountfield Group Plc, the AIM quoted commercial flooring and specialist construction company, announces that it has today conditionally agreed to sell the entire issued share capital of Mountfield Building Group ("**MBG**") Limited and Connaught Access Flooring Holdings Limited ("**Connaught**"). The Company also announces a conditional placing of 1,569,620,253 new ordinary shares of £0.001 each ("**Placing Shares**") at a price of £0.001975 per share to raise £3.1 million before expenses ("**Placing**").

The Proposed Sales will constitute a fundamental change of business of the Company under Rule 15 of the AIM Rules and is therefore conditional on the approval of Shareholders at a general meeting of the Company.

The Company will today post a circular to all Shareholders to convene a general meeting ("**General Meeting**") to be held at 11.00 a.m. on 2 March 2021. An extract of the circular appears below and a copy of the circular is available from the Company's website <http://www.mountfieldgroupplc.com/>.

The purpose of the General Meeting is to consider and, if thought fit, approve the conditional disposals of MBG and Connaught and the Placing. The Placing is conditional, inter alia, on the approval by the Company's Shareholders of resolutions granting authority to its Directors to allot and issue the Placing Shares on a non-pre-emptive basis.

The Placing, which was oversubscribed, is not being underwritten and has been arranged by Peterhouse Capital Limited, which has also been appointed as the Company's broker with immediate effect.

Full details of the proposals are set out in the extract from the circular set out below.

Temporary Suspension

In view of the recent volatility in the market in respect of conditional placings, the Company has requested a temporary suspension in trading in its Ordinary Shares on AIM from the date of this announcement until the completion of the General Meeting on 2 March 2021.

Notice of General Meeting

The General Meeting will be held at 11.00 a.m. on 2 March 2021. In accordance with Government legislation and related restrictions in response to COVID-19, and to minimise public health risks, the General Meeting is to be held as a closed meeting, electronically, and members and their proxies will not be able to attend or vote at the meeting. Further details of the Government's regulations relating to COVID-19 can be found at www.gov.uk/coronavirus.

Shareholders who wish to vote on the resolutions are strongly encouraged to appoint the Chairman of the General Meeting to act as a proxy as any other named person will not be permitted to attend or vote at the meeting.

Appointment of Broker

The Company also announces that Peterhouse Capital Limited has been appointed as broker to the Company with immediate effect.

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014 (which forms part of domestic UK law pursuant to the European Union (Withdrawal) Act 2018).

For further information, please contact:

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Peter Jay, Chairman

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The following information has been extracted from the circular. As such, references, including page numbers, may be incorrect and Shareholders should read the circular in full.

To holders of Ordinary Shares

Dear Shareholder,

**Proposed Sale of Mountfield Building Group Limited and Connaught Access Flooring Holdings Limited,
Proposed placing of 1,569,620,253 new Ordinary Shares at a price of £0.001975 per share, Proposed
Change of Name and Notice of General Meeting**

1. Introduction

It was announced on 15 February 2021 that the Company has conditionally agreed to sell the entire issued share capital of MBG to Mountfield Holdings for consideration of £1,663,000 and the entire issued share capital of Connaught to Connaught Group for consideration of £2,300,000 on the terms set out in paragraph 3 of this letter. The Company also announced a conditional placing of 1,569,620,253 new Ordinary Shares at a price of £0.001975 per share to raise £3.1 million before expenses.

The Proposed Sales will constitute a fundamental change of business of the Company under Rule 15 of the AIM Rules and is therefore conditional on, *inter alia*, the passing of the Ordinary Resolution at the General Meeting.

The effect of the Proposed Sales will be that the Company will no longer have any trading business or activities and will become an AIM Rule 15 Cash Shell. As such, the Company must make an acquisition or acquisitions which constitute a reverse takeover under Rule 14 of the AIM Rules or be re-admitted to trading on AIM as an investing company under the AIM Rules (which requires the raising of at least £6 million) within six months of Completion failing which the Ordinary Shares would then be suspended from trading on AIM pursuant to Rule 40 of the AIM Rules. Admission to trading on AIM would be cancelled six months from the date of suspension, should the reason for the suspension not have been rectified.

Accordingly, Shareholder approval of the Proposed Sales is being sought at a General Meeting of the Company to be held at 11.00 a.m. on 2 March 2021. The notice convening the General Meeting and setting out the Resolutions to be considered at it is set out at the end of this document. A summary of the action you should take is set out in paragraph 17 of this letter and on the Form of Proxy, which accompanies this document.

Further details of the Proposed Sales and the Share Purchase Agreements are set out below and in Part 2 of this document.

The purpose of this document is to give you further details of the Proposed Sales and the Placing, including the background to and reasons for them, to explain why the Independent Director considers them to be in the best interests of the Company, its Shareholders and stakeholders as a whole and recommend that you vote in favour of the Resolutions to be proposed at the General Meeting.

On Completion, the Company proposes to change its name to U.K. SPAC plc, subject to Shareholders' approval at the General Meeting.

The Company has received from certain Shareholders irrevocable undertakings to vote in favour of the Resolutions in respect of holdings totalling in aggregate 139,320,000 Ordinary Shares, representing approximately 54.79 per cent. of the Company's existing issued share capital. Further details and the terms on which the undertakings are given are set out in paragraph 14 of Part 1 of this letter.

2. Background to and reasons for the Proposed Sales

Mountfield, a non-trading holding company, was incorporated in September 2007 to become the holding company of Connaught and MBG, which were companies that operated in separate sectors of the construction industry. The Ordinary Shares of Mountfield were admitted to trading on AIM on 30 October 2008.

The period from 2015 to 2018 saw the Group's business flourish as annual operating profits increased by 454 per cent. from £203,895 to £1,129,173. Even though operating profits fell by £278,322 to £850,851 in 2019, the Directors regarded this as having been caused by problems with a particular contract which were unlikely to be repeated.

The period of growth came to an abrupt halt when the first lockdown was announced on 23 March 2020. The impact of the pandemic was immediate and far-reaching. Most construction sites were closed and the few that remained open were subject to an extensive new set of regulations that impacted on the Group's ability to operate profitably. In the accounts for the financial year ended 31 December 2019 (which were announced on 15 September 2020) I wrote, as Non-executive Chairman, that "*The Board believes that as regards future prospects, the changes resulting from the COVID-19 [pandemic] are of a fundamental nature and that these changes are likely to have a long term and materially negative impact on the markets in which the Group Companies operate.*"

In the half-yearly report to 30 June 2020, Mountfield reported that net profits before tax for the period had dropped from £719,056 in 2019 to £80,605 on turnover of £5,823,166 as against that of £9,137,192 in 2019.

In our half-year report to 30 June 2020, the Group CEO and I wrote that:

"We are disappointed to report that the Group's performance and profitability that had improved substantially over the last few years have deteriorated significantly in the current year. Turnover and net profit for the Period [half year] are substantially lower than those achieved in the corresponding periods of the previous two years."

Unfortunately, the Company's trading position has not improved since 30 June 2020 with turnover, operating profits and the levels of secured turnover continuing to run at levels not seen since the recession of 2008 and 2009. The Directors anticipate that the Group's operating profits in 2020 are unlikely to be significantly above break-even.

The Board is not confident that Connaught and MBG can return to pre-pandemic levels of activity and profitability in the foreseeable future. This is because work patterns have changed substantially and demand for new and refurbished office space is unlikely to return to pre-pandemic levels in the near future and, as a result, demand for Connaught's services will continue to be depressed. The absence of passporting or other support for the financial services industry (from which Connaught obtained a large part of its work) within the Brexit trade settlement is regarded by the Directors as an additional area of concern, so far as Connaught is concerned.

In a trading statement that was issued on 19 January 2021, I wrote that "*Management Accounts for the second half of 2020 demonstrate the impact of the pandemic on the Group in that it achieved a level of profitability lower than that for the first half*" and I concluded that "*As a result of the difficult trading conditions and the uncertainty as to which areas of construction will be in demand following the end of the pandemic, the Board is considering making structural changes to the Group to improve shareholder value.*"

The major decline in profitability has, as would be expected, impacted on the Company's cash flow.

As a result of the Board's considerations, the Directors concluded that the current level of business and marginal profitability makes it increasingly difficult to support the costs of maintaining the Company's AIM quotation. Further, the Directors are no longer willing to continue providing personal guarantees for the Group's bank overdraft facility in these circumstances.

To remove this personal risk, and to maintain the Company's AIM quotation, the Directors would have sought to replace the guarantees with funds obtained from a new equity raising which, in the current economic climate, might not be achievable or which otherwise would almost certainly have been a major dilution in the percentages of the equity currently held by all Shareholders. Such a fundraise would not offer a solution to the Directors' concerns about the current and longer-term performance of Connaught and MBG in the absence of sizeable contract wins in the near-term.

Another option considered to reduce operating costs was to delist the Company's Ordinary Shares from trading on AIM, however this would have removed Shareholders' ability to trade their Ordinary Shares and restricted the Company's ability to raise funds, if needed, again without addressing the Group's more fundamental trading problems.

In the absence of either option above being pursued, if it is found that the current trading pattern continues for longer than expected, or deteriorates further, the Company may be unable to continue as a viable business in its present form.

The Directors, therefore, concluded that the solution to the Company's present problems that offered an opportunity for Shareholders to see value accruing to their Ordinary Shares would be for it to dispose of its two trading subsidiaries, Connaught and MBG, with the purchasers agreeing between them to assume all of the Company's liabilities, leave it free of any debt and for it to become a cash shell. At the same time, the Company would effect a fundraise to provide it with the funds required to retain its AIM listing and enable it to seek to acquire an asset or business that has potential for growth and profitability.

The two current executive directors of the Group, Andy Collins and Graham Read, have agreed to buy the businesses that they have each managed from the Company. The total, aggregate, consideration being offered by Andy Collins and Graham Read is £3,963,000, which will take the form of cash (to be utilised by the Company to pay off the bank indebtedness and trade creditors) and the assumption of other existing liabilities (being

the MBG Inter-group Loan, the Connaught Inter-group Loan and the Loan Notes), that the Company would otherwise have to be settled if or when it had been able to do so.

The Independent Director considers that the total consideration payable by Andy Collins and Graham Read, and the corporate vehicles that each has incorporated, greatly exceeds the value that the businesses would achieve from third party purchasers who would not assume all outstanding liabilities. Further, the Company will also benefit from the sale of the businesses to Andy Collins and Graham Read from a significantly faster and cheaper sale process than otherwise would ordinarily have been incurred and mitigates the risk of the sale process aborting.

On Completion of the Proposed Sales, Andy Collins and Graham Read will resign as Directors of the Company, confirming that they do not have claims against it, and additional appointments will be made.

The Independent Director believes that if the Resolutions are passed and the Proposed Sales and the Placing are completed, the Company will be well placed to acquire another business or asset to replace Connaught and MBG. However, were the Resolutions not to be passed at the General Meeting and the Company was unable, therefore, to complete the Proposed Sales, the Directors would have to take steps necessary to ensure the viability of the Group to continuing operating which would likely include seeking Shareholder approve to delist the Company's Ordinary Shares from trading on AIM and to seek alternative financing. There is no guarantee that any alternative sources of financing will be available to the Company on terms that are acceptable the Board.

If the Resolutions are passed at the General Meeting, the sale of the subsidiaries would constitute a disposal resulting in a fundamental change of business and the Company will become an AIM Rule 15 cash shell.

Peter Jay (as the independent director in respect of the Proposed Sales) has considered the current and prospective financial position of the Company and the options available to it that are mentioned above, and which include the Proposed Sales. He has concluded that the best option for Shareholders would be for the Proposed Sales to take place, for the Company to consider new commercial opportunities and to raise additional funds to enable it to pursue one or more of them. Although no acquisition targets have yet been identified, a cash injection will enable the new board of directors after Completion to begin the process of sourcing one that offers the prospect of growth and an increase in the value of the Company's Ordinary Shares.

The Company has two assets other than the shares in Connaught and MBG. The first is shares in a subsidiary, Mountfield Land Limited ("**Mountfield Land**"), a company that was set up in 2008 at the time of the listing and was intended to source and consolidate residential development sites and then to onward sell these sites to house builders. At the end of 2009, the two employees who ran the business of Mountfield Land were dismissed for lack of performance and the company has been dormant since that date. It does not own any assets and it is in the process of being dissolved.

The other asset is a 20 per cent. shareholding in a company known as Hub (UK) Limited ("**Hub**") with which the Company entered into a joint venture in 2012. The venture was terminated in 2014 because Hub failed to introduce any contracts to MBG. Hub is now insolvent and the shares (which are of nil value) will be transferred by the Company to MBG (or as MBG may direct) on completion of its sale for £1.

3. Principal terms of the Proposed Sales

Pursuant to the Connaught Share Purchase Agreement, the Company is proposing to sell the entire issued share capital of Connaught. The consideration payable by Connaught

Group to the Company is £2,300,000 to be satisfied by £842,188 in cash and the assumption by Connaught Group of the Connaught Inter-group Loan.

Pursuant to the MBG Share Purchase Agreement, the Company is proposing to sell the entire issued share capital of MBG. The consideration payable by Mountfield Holdings to the Company is £1,663,000 to be satisfied by £113,334 in cash and the assumption by Mountfield Holdings of (i) the MBG Inter-group Loan; and (ii) the Loan Notes.

Completion of both sales is inter-conditional and also conditional upon other closing conditions, including (amongst others) the approval of the Ordinary Resolution at the General Meeting and Admission.

Further details of the Share Purchase Agreements are set out in Part 2 of this document.

4. Information on Mountfield Holdings and Connaught Group

Mountfield Holdings is a newly incorporated company majority owned by Graham Read. Graham is also a director of Mountfield Holdings. The company has been incorporated for the purpose of acquiring MBG.

Connaught Group is a newly incorporated company majority owned by Andy Collins. Andy is the sole director. The company has been incorporated for the purpose of acquiring Connaught.

5. Financial effects of the Proposed Sales and use of the proceeds

On Completion, the Board intends to use the cash proceeds from the Proposed Sales to pay all of the Company's outstanding liabilities as at Completion including, but not limited to, trade creditors and bank indebtedness so that Mountfield will be debt free.

Following the discharge of such liabilities, it is expected that the Company will retain no cash from the Proposed Sales. Following Completion, the Company will have no significant assets or liabilities, save for new funds to be introduced as a result of the Placing.

As such a cash shell, the Company will have no operating cash flow and would be dependent on the net proceeds of the Placing, and any subsequent fundraisings, for its working capital requirements. The Company would not expect to need further funding, following the Placing, prior to commencing a reverse takeover transaction. In the event that the Company does require additional funding in future, there can be no guarantee that this funding will be forthcoming and the Company's ability to raise further funds may depend on the success of any existing and acquired investments at that time. The Company may not be successful in procuring the requisite funds on terms which are acceptable to it (or at all) and Shareholders' holdings of Ordinary Shares may be materially diluted in due course by subsequent equity issues.

6. Strategy following Completion

If the Proposed Sales complete, the Company will become an AIM Rule 15 Cash Shell. Andy Collins and Graham Read will step down from the Board and new directors will be appointed in their place.

The Company intends to pursue a reverse takeover transaction, subject to shareholder approval, with the aim of delivering shareholder value. Pursuant to Rule 14 of the AIM Rules, a reverse takeover transaction would require the publication of an admission document in respect of the proposed enlarged entity and would be conditional upon the consent of the Shareholders being given at a general meeting. As per the guidance notes

to Rule 14 of the AIM Rules, trading in the Ordinary Shares would be suspended following the announcement that a reverse takeover had been agreed or was in contemplation until the publication of an AIM Admission Document or an announcement that the transaction was not proceeding.

The Board has not yet identified any potential reverse takeover targets which will be the primary responsibility of the new board. In seeking and considering potential acquisitions, it is intended that the new board will seek to identify opportunities offering the potential to deliver value creation and returns to shareholders over the medium to long-term. The Company will consider investment opportunities in any sectors as they arise.

Any failure in completing an acquisition or acquisitions which constitute(s) a reverse takeover under AIM Rule 14 (including seeking re-admission as an investment company (as defined under the AIM Rules)) will after 12 months result in cancellation of the Company's Ordinary Shares from trading on AIM.

The Company will be dependent upon the ability of the new board of directors following Completion to identify suitable acquisition targets. There is no guarantee that the Company will be able to acquire an identified opportunity at an appropriate price, or at all, as a consequence of which resources might have been expended fruitlessly on investigative work and due diligence.

Market conditions may have a negative impact on the Company's ability to make an acquisition or acquisitions which constitute a reverse takeover under AIM Rule 14. **There is no guarantee that the Company will be successful meeting the AIM Rule 14 deadline as described above.**

The Company expects to incur certain third-party costs associated with the sourcing of a suitable acquisition or acquisitions. The Company can give no assurance as to the level of such costs, and given that there is no guarantee that negotiations to acquire any given target business will be successful, the greater the number of deals that do not reach completion, the greater the likely impact of such costs on the Company's performance, financial condition and business prospects.

7. Details of the Placing

To provide funding for the Company to enable it to continue as a cash shell, Peterhouse has conditionally raised on behalf of the Company £3.1 million before expenses through the Placing of the Placing Shares at the Placing Price, together with one Investor Warrant for every one Placing Share subscribed for. The Placing is only conditional upon the passing of the Resolutions at the General Meeting and completion of the Proposed Sales.

For every one Placing Share acquired by a participant in the Placing, that participant shall be granted one Investor Warrant providing a right to subscribe for a new Ordinary Share at a subscription price of £0.003 per Ordinary Share. In total, subject to completion of the Placing, there will be up to 1,569,620,253 Investor Warrants granted. The Investor Warrants shall be exercisable for a period of 12 months following Admission, after which any unexercised Investor Warrants shall lapse.

In addition to the issue of the Placing Shares, certain creditors (being Peter Jay and Cairn), have agreed to settle their outstanding liabilities by way of the issue of new Ordinary Shares at the Placing Price. Accordingly, the Company will issue the Advisor Shares to Cairn and the Fee Shares to Peter Jay in satisfaction of liabilities totalling, in aggregate, £56,000. In addition, Cairn will also receive the Cairn Warrants which are being granted on the same terms as the Investor Warrants.

Application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM, subject to approval of the Resolutions. It is expected that Admission will become effective and that dealings in the New Ordinary Shares, will commence on AIM at 8.00 a.m. on or around 3 March 2021.

The Placing Shares will represent approximately 84.74 per cent. of the Enlarged Issued Share Capital of the Company in issue immediately following Admission. Following Admission, the Enlarged Issued Share Capital of the Company will be 1,852,219,137.

Subject to Admission, Peterhouse will receive warrants over 4 per cent. of the Enlarged Issued Share Capital for the period of three years from Admission, as part-payment for the introduction of incoming investors. In practice this means that at Admission, the Broker Warrants provide the rights to subscribe for 62,784,810 Ordinary Shares at the Placing Price.

8. Consequences of the Placing for Existing Shareholders

Following completion of the Placing, the proportion of the Ordinary Shares held by the existing Shareholders will be approximately 13.73 per cent. of the Enlarged Issued Share Capital.

The New Ordinary Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the Existing Ordinary Shares including the right to receive all dividends and other distributions declared on or after the date on which they are issued.

For details as to the expected date and times by which certain events (e.g. Admission, the crediting of CREST accounts and the despatch of share certificate) are expected to happen in relation to the Placing Shares, please refer to the information on page 6 (*Expected Timetable of Principal Events*) of this document.

9. Proposed Change of Name

Following the Company becoming an AIM Rule 15 cash shell and in order to avoid any confusion with MBG following Completion, the Company is proposing to change its name to U.K. SPAC plc.

The Special Resolution will therefore be proposed at the General Meeting to approve the change of name of the Company to U.K. SPAC plc conditional on Completion. The name will be changed as soon as possible after Completion once the relevant paperwork has been processed by Companies House.

The Directors therefore believe that the Change of Name would be in the best interests of the Company and the Shareholders as a whole.

If the Special Resolution is passed at the General Meeting, the Company's website and AIM ticker will be updated accordingly. The Company will update the market in due course of the new details.

10. Proposed board changes

Subject to Completion occurring, Andy Collins will resign from his position as Chief Executive Officer of the Company and Graham Read will resign from his position as Executive Director of the Company.

Peter Jay will remain as Chairman of the Company and two new directors will be appointed to the Board on Completion.

11. Related Party Transactions

Both Andy Collins and Graham Read are Directors of Mountfield, Connaught and MBG. They are also both the beneficial owners of a substantial number of Ordinary Shares in Mountfield totalling, in aggregate, 45.55 per cent. of the Existing Ordinary Shares. Andy Collins is also a director of, and shareholder in, Connaught Group and Graham Read is a director of, and shareholder in, Mountfield Holdings, their respective entities established for the purposes of the Proposed Sales.

As a result, Andy Collins would be regarded as a related party of Mountfield with regard to his proposed purchase of Connaught and Graham Read would be regarded a related party of Mountfield with regard to his proposed purchase of MBG. The Proposed Sales therefore constitute related party transactions for the purposes of AIM Rule 13 (the "**Related Party Transactions**").

Peter Jay is considered to be an independent director for the purposes of the Proposals. Peter does not hold an executive position with the Company, has no interest or prospective interest in either of the Proposed Sales, in Connaught or MBG or in either of the corporate vehicles that will be used to acquire them.

The Directors, with the exception of Graham Read and Andy Collins, consider, having consulted with the Company's nominated adviser, Cairn, that the terms of the Related Party Transactions are fair and reasonable insofar as Shareholders are concerned.

12. Use of Proceeds

The Company is raising funds to enable the Board to search for acquisition opportunities which, if successful, would constitute a reverse takeover under the AIM Rules and fund the Company's general working capital.

13. Advisor Shares and Fee Shares

The Advisor Shares are to be allotted and issued to Cairn on Admission at the Placing Price in lieu of, and in full and final settlement of outstanding fees. In addition, Cairn will also receive the Cairn Warrants which are being granted on the same terms as the Investor Warrants.

The Fee Shares are to be allotted and issued to Peter Jay on Admission at the Placing Price in lieu of, and in full and final settlement of outstanding fees and in line with his ordinary remuneration.

14. Irrevocable undertakings

Graham Read and Andy Collins have given irrevocable undertakings to the Company to vote in favour of the Resolutions to be proposed at the General Meeting (and, where relevant, to procure that such action is taken by the relevant registered holders if that is not one of them) in respect of their beneficial holdings totalling, in aggregate, 115,820,000 Ordinary Shares, representing approximately 45.55 per cent. of the Existing Ordinary Shares.

Subject to the Ordinary Shares which he beneficially holds being registered in his name personally at least 48 hours prior to the General Meeting, Peter Jay has given an irrevocable undertaking to the Company to vote in favour of the Resolutions to be proposed at the General Meeting in respect of his beneficial holding totalling 23,500,000 Ordinary Shares, representing approximately 9.24 per cent. of the Existing Ordinary Shares.

15. Taxation

Any person who is in any doubt as to his tax position or who is subject to tax in a jurisdiction other than the United Kingdom is strongly recommended to consult his professional tax adviser immediately.

16. The General Meeting

You will find set out at the end of this document a notice convening the General Meeting to be held on 2 March 2021 at 11.00 a.m., at which the Resolutions will be proposed.

Resolution 1 (being the Ordinary Resolution), which will be proposed at the General Meeting as an ordinary resolution, is to approve the Proposed Sales and to authorise the Directors to take all steps necessary or desirable to complete the Proposed Sales. In order for the Ordinary Resolution to be passed, a simple majority is required.

Resolution 2, which will be proposed at the General Meeting as an ordinary resolution, is to approve the Proposed Sales as substantial property transactions for the purposes of section 190 of the Companies Act. In order for Resolution 2 to be passed, a simple majority is required.

In addition, resolutions are being proposed at the General Meeting in connection with the Placing, the Broker Warrants, the Cairn Warrants and the Investor Warrants. Resolutions 3 and 4 seek authority for the Directors to (i) allot the New Ordinary Shares and (ii) grant the Broker Warrants, the Cairn Warrants and the Investor Warrants, and to do so on a non-pre-emptive basis. Resolution 3 is an ordinary resolution and requires a simple majority to be passed. Resolution 4 is a special resolution and requires the approval of Shareholders representing at least 75 per cent. of votes cast to be passed. Resolutions 3 and 4 also seek further authority for the Directors to allot new Ordinary Shares on a non-pre-emptive basis subject to certain limitations.

Resolution 5 (being the Special Resolution), which will be proposed at the General Meeting as a special resolution and which is conditional upon Resolutions 1 and 2 having been passed and Completion, is to approve the Change of Name.

Resolution 6 which is being proposed at the General Meeting as a special resolution and which is conditional on Completion, is to amend the articles of association of the Company to remove the rights attaching to the Founder Shares currently held by Graham Read. Resolution 6 is a special resolution and requires the approval of Shareholders representing at least 75 per cent. of votes cast to be passed

Shareholders should read the Notice of General Meeting at the end of this document for the full text of the Resolutions and for further details about the General Meeting.

Effect of COVID-19 regulations on the General Meeting

In accordance with Government legislation and related restrictions in response to COVID-19, and to minimise public health risks, the General Meeting is to be held as a closed meeting, electronically, and members and their proxies will not be able to attend or vote at the meeting. Further details of the Government's regulations relating to COVID-19 can be found at www.gov.uk/coronavirus.

As a result, the minimum number of Directors or employees of the Company will attend to ensure that the meeting is quorate. Updates in relation to the General Meeting will be provided on our website and, where appropriate, announced via a Regulatory Information Service.

Voting on the Resolutions will be by way of a poll rather than a show of hands. A poll ensures that the votes of Shareholders who are unable to attend the General Meeting, but who have provided votes by proxy, are taken into account in the final voting results.

If you would like to vote on the Resolutions, you can appoint a proxy to exercise your right to vote at the General Meeting. As such, you are strongly encouraged to appoint the Chairman of the General Meeting to act as your proxy as any other named person will not be permitted to attend or vote at the meeting.

Shareholders will find accompanying this document a Form of Proxy for use in connection with the General Meeting. The Form of Proxy should be completed and returned in accordance with the instructions thereon so as to be received by SLC Registrars, as soon as possible and in any event not later than 48 hours (excluding non-Business Days) before the time of the General Meeting.

The number of Ordinary Shares a Shareholder holds as at the Voting Record Time will determine how many votes a Shareholder or his proxy will have on the poll.

17. Action to be taken

A Form of Proxy for use at the General Meeting accompanies this document. The Form of Proxy should be completed and signed in accordance with the instructions thereon and returned to the Company's registrars, SLC Registrars at Elder House, St Georges Business Park, Brooklands Road, Weybridge, Surrey KT13 0TS (or by scanning a signed copy and emailing this to proxy@slcregistrars.com), as soon as possible, but in any event so as to be received by no later than 11.00 a.m. on 26 February 2021 (or, if the General Meeting is adjourned, 48 hours (excluding any part of a day that is not a Business Day) before the time fixed for the adjourned meeting).

Your attention is drawn to the fact that the Proposed Sales are conditional and dependent on the Ordinary Resolution being passed by Shareholders at the General Meeting. Shareholders are asked to vote in favour of the Ordinary Resolution in order for the Proposed Sales to proceed. If Shareholders do not approve the Proposed Sales at the General Meeting, the Board will begin the process of seeking consent to delist the Ordinary Shares of the Company from trading on AIM.

If you are in any doubt as to what action you should take, you are recommended to seek your own personal financial advice from your broker, bank manager, solicitor, accountant or other independent financial adviser authorised under FSMA if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser, immediately.

18. Recommendation

The Directors believe the Proposals to be the most appropriate way to provide a strategy to provide value to Shareholders. Should the Proposed Sales not proceed for any reason, the Company would seek to delist from AIM in order to be able to secure future trading. Graham Read and Andy Collins intend to vote in favour of the Resolutions with their holdings totalling, in aggregate, 115,820,000 Ordinary Shares, representing approximately 45.55 per cent. of the Existing Ordinary Shares. Subject to the Ordinary Shares which he beneficially holds being registered in his name personally at least 48 hours prior to the General Meeting, Peter Jay also intends to vote in favour of the Resolutions with his holding totalling 23,500,000 Ordinary Shares, representing approximately 9.24 per cent. of the Existing Ordinary Shares.

The Independent Director considers the Proposals to be in the best interests of the Company, its Shareholders and stakeholders as a whole and accordingly recommends

Shareholders to vote, or procure the vote, in favour of the Resolutions to be proposed at the General Meeting.

Yours faithfully,

Peter Jay

Non-executive Chairman

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

<i>Event</i>	<i>2021</i>
Announcement of the Proposals	15 February
Publication and posting of this document and Form of Proxy	15 February
Late time and date for receipt of Forms of Proxy	11.00 a.m. on 26 February
General Meeting	11.00 a.m. on 2 March
Announcement of the result of the General Meeting	2 March
Expected completion date of the Proposed Sales	3 March
Admission of the Placing Shares, the Advisor Shares and the Fee Shares to trading on AIM	3 March
CREST accounts credited (where applicable)	8.00 a.m. on 3 March
Despatch of definitive share certificates (where applicable)	within 10 days of Admission

Notes:

References to times in this document are to London time (unless otherwise stated).

Each of the above times and/or dates is subject to change at the absolute discretion of the Company, Peterhouse and Cairn. If any of the above times and/or dates should change, the revised times and/or dates will be announced through a Regulatory Information Service.

STATISTICS

Placing Price (per share)	£0.001975
Number of Existing Ordinary Shares at the Last Practicable Date	254,244,454
Number of Placing Shares	1,569,620,253
Number of Adviser Shares	15,189,873
Number of Fee Shares	13,164,557
Enlarged Issued Share Capital	1,852,219,137
Number of Broker Warrants	62,784,810
Number of Investor Warrants	1,569,620,253
Number of Cairn Warrants	15,189,873
Placing Shares as a percentage of the Enlarged Issued Share Capital	84.74 per cent.
Gross proceeds of the Placing	£3.1 million
Estimated net proceeds of the Placing	£2,867,500
Market capitalisation of the Company at the Placing Price	£3,658,132

DEFINITIONS

The following definitions have been extracted from the circular and shareholders should read the circular in full, rather than rely on this summary, to ensure the context applies correctly.

"Act"	the Companies Act 2006 (as amended);
"Admission"	admission of the New Ordinary Shares to trading on AIM, which is expected to occur on or around 3 March 2021;

"Advisor Shares"	15,189,873 Ordinary Shares to be issued in settlement of contractual liabilities to Cairn, further details of which are set out in paragraph 13 of Part 1 of this document;
"AIM"	the AIM market operated by the London Stock Exchange;
"AIM Rule 15 Cash Shell"	has the meaning given to 'AIM Rule 15 cash shell' in the AIM Rules;
"AIM Rules"	the rules and guidance notes for AIM companies and their nominated advisers issued by the London Stock Exchange from time to time relating to AIM traded securities and the operation of AIM;
"Broker Warrants"	the warrants over 62,784,810 Ordinary Shares to be granted to Peterhouse, further details of which are set out in paragraph 7 of Part 1 of this document;
"Business Day"	a day on which dealings in domestic securities may take place on the London Stock Exchange;
"Cairn"	Cairn Financial Advisers LLP, a limited liability partnership incorporated and registered in England and Wales with registered number OC351689, and the Company's nominated adviser, authorised and regulated by the FCA;
"Cairn Warrants"	the warrants over 15,189,873 Ordinary Shares to be granted to Cairn, such warrants to be granted on the same terms as the Investor Warrants;
"Certificated form" or "in Certificated form"	an ordinary share recorded on a company's share register as being held in certificated form (namely, not in CREST);
"Change of Name"	the proposal to change the name of the Company to U.K. SPAC plc;
"Company" or "Mountfield "	Mountfield Group plc, a company incorporated and registered in England and Wales with registered number 06374598;
"Completion"	completion of the Proposed Sales in accordance with the Share Purchase Agreements;
" Connaught Group"	Connaught Access Flooring Group Limited, a company incorporated and registered in England and Wales with registered number 13166826;
"Connaught"	Connaught Access Flooring Holdings Limited, a company incorporated and registered in England and Wales with registered number 06577291;
"Connaught Inter-group Loan"	£1,457,812 being the amount outstanding on the inter-group loan account between the Company and Connaught's subsidiary, Connaught Access Flooring Limited;
"Connaught Share Purchase Agreement"	a conditional share sale agreement dated 15 February 2021 between the Company and Connaught Group;
"CREST"	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the operator (as defined in those regulations);
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (S.I. 2001 No. 3755) (as amended);
"Directors" or "Board"	the directors of the Company whose names are set out on page 5 of this document, or any duly authorised committee thereof;
"Enlarged Issued Share Capital"	the entire issued ordinary share capital of the Company following completion of the Placing;
"Euroclear"	Euroclear UK & Ireland Limited, the operator of CREST;

"Existing Group"	the Company and its subsidiary undertakings as at the date of this document (including, without limitation, the Connaught and its subsidiary and MBG and its subsidiary);
"Existing Ordinary Shares"	the 254,244,454 Ordinary Shares in issue at the date of this document, all of which are admitted to trading on AIM;
"FCA"	the Financial Conduct Authority;
"Fee Shares"	13,164,557 Ordinary Shares to be issued in settlement of contractual liabilities to Peter Jay, further details of which are set out in paragraph 13 of Part 1 of this document;
"Form of Proxy"	the form of proxy for use in connection with the General Meeting which accompanies this document;
"Founder Shares"	the 2,270,182 founder shares of £1 each in issue in the Company;
"FSMA"	the Financial Services and Markets Act 2000 (as amended);
"General Meeting"	a duly convened general meeting (or any adjournment thereof) of the Shareholders at which the Resolutions will be proposed to be held at 11.00 a.m. on 2 March 2021, notice of which is set out in the Notice of General Meeting;
"Group"	the Company and its subsidiaries;
"Independent Director"	Peter Jay;
"Investor Warrants"	the warrants over, in aggregate, 1,569,620,253 Ordinary Shares to be granted to parties participating in the Placing, further details of which are set out in paragraph 7 of Part 1 of this document;
"Last Practicable Date"	12 February 2021;
"Loan Notes"	£245,000 of outstanding loan notes owed by the Company to Graham Read under a loan note instrument dated 16 October 2008;
"London Stock Exchange"	London Stock Exchange plc;
"MBG"	Mountfield Building Group Limited, a company incorporated and registered in England and Wales with registered number 02101063);
"MBG Inter-group Loan"	in aggregate £1,304,666, being the amount outstanding on the inter-group loan account between the Company and MBG and the amount outstanding on the inter-group loan account between the Company and MBG's subsidiary, MBG Construction Limited;
"MBG Share Purchase Agreement"	a conditional share sale agreement dated 15 February 2021 between the Company and Mountfield Holdings;
"Mountfield Holdings"	Mountfield Holdings Limited, a company incorporated and registered in England and Wales with registered number 13144822;
"New Ordinary Shares"	the Placing Shares, the Advisor Shares and the Fee Shares;
"Notice of General Meeting"	the notice convening the General Meeting which is set out at the end of this document;
"Ordinary Resolution"	resolution number 1 proposed at the General Meeting seeking shareholder approval to the Proposed Sales for the purposes of Rule 15 of the AIM Rules;
"Ordinary Shares"	the ordinary shares of 0.1 pence each in the capital of the Company;

"Peterhouse"	Peterhouse Capital Limited, a company incorporated and registered in England and Wales with registered number 02075091, and the Company's broker, authorised and regulated by the FCA;
"Placing"	the placing of new Ordinary Shares;
"Placing Price"	£0.001975;
"Placing Shares"	1,569,620,253 new Ordinary Shares to be issued pursuant to the Placing;
"Proposals"	the Proposed Sales and the Placing;
"Proposed Sales"	the proposed sale of the entire issued share capital of each of the Sale Companies pursuant to the Share Purchase Agreement;
"Prospectus Regulation Rules"	the Prospectus Regulation Rules made in accordance with the EU Prospectus Regulation 2017/1129 in relation to offers of securities to the public and the admission of securities to trading on a regulated market, as amended by The Prospectus (Amendment etc.) (EU Exit) Regulations 2019;
"Register"	the register of members of the Company maintained by SLC Registrars Limited, a company incorporated and registered in England and Wales with registered number 01661542;
"Resolutions"	the ordinary resolutions and the special resolutions set out in the Notice of General Meeting;
"Restricted Jurisdiction"	Australia, Canada, Japan, New Zealand, the Republic of South Africa or the United States;
"Sale Companies"	Connaught and MBG;
"Share Purchase Agreements"	the Connaught Share Purchase Agreement and the MBG Share Purchase Agreement;
"Shareholders"	holders of Ordinary Shares;
"Special Resolution"	resolution number 5 to be proposed at the General Meeting seeking shareholder approval to the Change of Name;
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland;
"uncertificated" or "in uncertificated form"	an Ordinary Share recorded on a company's share 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;
"US Person(s)"	has the meaning given in the United States Securities Act 1933 (as amended); and
"Voting Record Time"	6.30 p.m. on 26 February 2021.

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