

Kin Group Plc / Epic: KIN / Index: AIM

RNS ANNOUNCEMENT: The information communicated in this announcement contains inside information for the purposes of Article 7 of Regulation 596/2014.

For immediate release:

3 October 2017

Kin Group Plc (the "Company")

Proposed CVA, Placing and proposed Board Changes

Kin Group Plc announces further details of its intention to propose a company voluntary arrangement under Part 1 of the Insolvency Act 1986 and the Insolvency (England and Wales) Rules 2016 to its creditors and to raise further funds by way of a placing.

Background

On 18 July 2017 the Company announced that Belastock Capital L.P., an overseas based institutional investor, ("Belastock") had informed Kin that, due to the continued recent falls in the Company's share price, particularly since 13 June 2017, Belastock was not going to proceed with the three further tranches of the convertible loan note announced on 15 May 2017 ("**Notes**"), which would have raised £765,000 (net) for the Company over the following four months.

The Notes were a key part of the Company's plans for short term development capital and the withdrawal of this support meant the Company suffered a significant and unexpected shortfall in its available working capital.

As a result, the Company also announced that it had suspended trading in its shares on AIM with effect from 7.30 am on 18 July 2017, pending clarification of its financial position.

Since then, the Directors have explored various avenues to secure replacement funding (including equity funding) to continue the business. As announced on 18 July, the Company has been in dialogue with NW1, its largest shareholder and senior secured creditor, and other parties. Despite there being interest from a number of parties, there has been no proposed solution which would have enabled the Group to continue with its business. Although the Company had announced a number of new contracts with a variety of corporate customers including a global financial services company, a consumer goods company and a successful case study with MTR Crossrail, and was experiencing healthy interest in the Group's products with a continuous flow of enquiries and conversations with direct and indirect customers, the Directors concluded that the length of time required to convert potential customers into sales had proved too long for the working capital resources available to the Group.

The unexpected shortfall in the Group's working capital meant that Kin Wellness Limited, the Company's principal trading subsidiary, actively sought purchasers for its business and assets. In order to facilitate a sale of the business, the director of Kin Wellness appointed Simon Harris and Ben Woodthorpe of ReSolve Partners Limited as administrators to Kin Wellness with effect from 30 August 2017.

As announced on 11 September 2017, on 8 September 2017 the administrators completed the sale of the business and certain assets of Kin Wellness Limited to SMG Investment Holdings Pty Ltd an Australian company based in Brisbane, for an aggregate cash consideration of £50,000.

Creditors Voluntary Arrangement

In order to allow the Company to pursue a future corporate strategy without an on-going debt burden the Directors intend to propose a company voluntary arrangement under Part 1 of the Insolvency Act 1986, for a composition in satisfaction of the Company's debts which will provide an opportunity for creditors to participate in the future potential value of the Company (the "CVA").

The terms of the CVA are expected to propose that the amounts due to each of the Company's unsecured creditors be capitalised by way of the Company issuing and allotting to each of the unsecured creditors such number of Ordinary Shares, credited as fully paid up, at 0.01p per share as has a value equal to the amount of the debt for which they prove.

The Directors believe that the amount owed to creditors who are entitled to rank for dividend in the CVA currently stands at approximately £2,273,238, although debt amounts may change once claims are reviewed. As a result, pursuant to the CVA the Directors expect to allot approximately 22,732,387,142 new ordinary shares to creditors, credited as fully paid up at 0.01p per share, of which 19,475,534,529 are expected to be allotted to NW1 in respect of its claims. To enable it to participate in the CVA, NW1 is expected to release its security over all its loans so that its claims will rank as unsecured pari passu with the other unsecured creditors.

The Directors expect that the CVA will be approved at a Decision Date currently expected to take place in late October unless the requisite majority of creditors request a physical meeting.

Existing shareholders will retain their existing ordinary shares in the Company and it is expected that the CVA will not result in any distribution being made to existing shareholders in their capacity as shareholders.

The Directors believe that Simon Harris and Ben Woodthorpe of ReSolve Partners Limited will act as Joint Nominees in respect of the proposal of the Directors for the CVA. Both Simon Harris and Ben Woodthorpe of ReSolve Partners Limited have provided their consent to act and their Nominee's Report is expected to be filed at Court as required.

Rule 15 (AIM Rules for Companies)

As a result of the appointment of Simon Harris and Ben Woodthorpe of ReSolve Partners Limited as administrators to Kin Wellness with effect from 30 August, the Company became a "Rule 15 Cash Shell" under Rule 15 of the AIM Rules from that date.

Within six months of becoming a Rule 15 Cash Shell, the Company must make an acquisition or acquisitions which constitute(s) a reverse takeover under AIM Rule 14. If it does not do so, the London Stock Exchange will suspend trading in the Company's AIM securities pursuant to AIM Rule 40. The London Stock Exchange will cancel the admission of the Company's AIM securities pursuant to AIM Rule 41 where they have been suspended from trading for six months.

Proposed Placing

To preserve some prospect of future value for creditors and shareholders, the Directors have appointed Peterhouse Corporate Finance Limited ("Peterhouse") to raise up to £1 million of new funds (the "Placing") for the Company by way of a placing of new Ordinary Shares (the "Placing Shares").

The Placing is expected to be conditional on the admission of the new ordinary shares to be issued pursuant to the Placing to trading on AIM, the lifting of the current suspension in trading in the Company's ordinary shares and on the implementation of the CVA.

The Placing Shares are being offered by way of an accelerated bookbuild ("Bookbuild") on the Company's behalf by the Company's sole bookrunner, Peterhouse. The Bookbuild will be launched immediately following this announcement. The timing of the closing of the Bookbuild, the final number and allocation of Placing Shares to be issued at the Placing Price are to be determined at the discretion of the Company and Peterhouse. A further announcement will be made following closing of the Placing, confirming the final details of the fundraising.

Conditionally on completion of the CVA and associated fund-raise, the Company has agreed to appoint Peterhouse as broker to the Company.

Following implementation of the CVA and in the event that Peterhouse raises £1 million pursuant to the Placing, the Placing Shares are expected to represent approximately 80% of the enlarged issued share capital of the Company at Admission.

The Directors expect that, pursuant to the Placing and conditionally upon implementation of the CVA and approval of the placing by shareholders, Peterhouse will place 100,000,000,000 new ordinary shares at a price of 0.001p per share to raise £1 million before expenses.

In addition to the Placing Shares, the Company expects to issue investors one Placing Warrant for every four Placing Shares issued, exercisable at a price of 0.004p per warrant at any time up to three years from Admission. No application is expected to be made for the Placing Warrants to be admitted to trading on AIM or any other investment exchange.

In respect of the Placing the Company has agreed to pay Peterhouse commissions of 5% on all amounts introduced by them. In addition, the Company has agreed to issue warrants to Peterhouse to subscribe for up to 6% of the enlarged issued ordinary share capital upon Admission exercisable at 0.001p per share at any time in the period of 12 months following Admission.

Capital Restructuring & proposed Board changes

As the Companies Act 2006 prohibits the Company from issuing shares at a price below their nominal value and the price at which the Placing Shares are expected to be issued is below the current nominal value of 0.01p per ordinary share, the Directors expect to propose that each of the existing ordinary shares of 0.01p be sub-divided into one new ordinary share of 0.0001p and one C deferred share of 0.0099p. It is expected that the C deferred shares will not entitle their holders to receive notice of or to attend or vote at any general meeting of the Company, or to receive any dividend or other distribution. On a return of capital on a winding up or dissolution of the Company, the holders of the C deferred shares are expected to be entitled to receive an amount equal to the nominal amount paid up thereon, but only after the holders of ordinary shares have received £100,000 per ordinary share. The holders of C deferred shares are expected not to be entitled to any further right of participation in the assets of the Company and it is expected that the Company will have the right to purchase the C deferred shares in issue at any time for no consideration. As such, the C deferred shares are expected to have no value.

The Directors also expect that with effect from Admission, John Taylor and Lindsay Mair will join the Board as non-executive Directors, and that Anna Gudmundson, Richard Goodlad, Heidi Steiger and Mark Ollila will resign from office with no compensation for loss of office, and will waive all claims against the Company under their respective terms of appointment. Donald Stewart will remain on the Board as Chairman.

John Taylor (aged 45) - proposed non-executive Director

John is an adaptable business turnaround consultant with a flair for execution and motivating teams to make positive and impactful change. Since July 2015, John has worked on the turnaround of Northern Aerospace, a leading supplier of precision machined parts to the aerospace industry. Prior to that he spent over 20 years in the military, commanding attack helicopter formations and advising senior government ministers at the strategic level. Between 2013 and 2015 he was senior strategic communications officer for the Ministry of Defence responsible for Army matters. Between 2009 and 2013 he was regimental second in command and acting commanding officer of 3 Regiment Army Air Corps following three years as an attack helicopter squadron commander with 4 Regiment Army Air Corps.

John obtained an MBA in 2011, having previously graduated with an honours degree in Economics and International Relations and having undertaken post graduate officer training at the Royal Military Academy, Sandhurst. For the last seven months he has been working with an experienced team of investment professionals, specialising in reverse takeover (RTO) transactions, mergers and acquisitions and early stage capital fundraisings.

John is currently a partner in Ugly Panda LLP. Other than this, he does not hold, nor has held any other directorships and/or partnerships in the last five years. There is no further information on John Taylor required to be disclosed under Schedule Two, paragraph (g) (i)-(viii) of the AIM Rules for Companies.

John has indicated that he currently intends to subscribe up to £3,000 in the Placing.

Lindsay Mair FCA (aged 59) -proposed non-executive Director

Lindsay is an experienced investment banker with extensive capital markets experience in a broad range of sectors acquired over a thirty year career in the City. He is a director of corporate finance at SP Angel Corporate Finance LLP and previously worked in the corporate finance departments of a number of City firms including Sanlam, Astaire Securities (as managing director) and Daniel Stewart and Corporate Synergy (both as head of corporate finance).

Lindsay is a chartered accountant having qualified with Touche Ross (now Deloitte).

He is a director of two private companies, PMPE Limited and DPEM Limited. Other than these, he does not hold, nor has held any other directorships and/or partnerships in the last five years. There is no further information on Lindsay Mair required to be disclosed under Schedule Two, paragraph (g) (i)-(viii) of the AIM Rules for Companies.

Lindsay has indicated that he currently intends to subscribe for up to £12,500 in the Placing.

Donald Stewart is expected to receive approximately 220,000,000 Ordinary Shares, in respect of director's fees, pursuant to the CVA and has indicated that he currently intends to subscribe for up to £5,000 in the Placing.

Lifting of Suspension in Trading on AIM

Trading in the Company's Ordinary Shares on AIM is currently suspended, pending clarification of its financial position. Following the approval of the CVA and of the Placing, the conditional raising of additional funding pursuant to the Placing, and subject to the Company being compliant with the AIM Rules, the Directors believe that it will have clarified its financial position and an application will be made to AIM for the suspension to be lifted and trading in the Ordinary Shares of the Company to be resumed.

Further announcements will be made as appropriate.

For further information, visit www.kingroupplc.com or contact:

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