



19 September 2017

*This announcement contains inside information which, prior to its disclosure, was inside information for the purposes of the Market Abuse Regulation (Article 7 of Regulation (EU) No 596/2014.*

**MedaPhor Group plc**  
("MedaPhor" or the "Group" or the "Company")

**Acquisition and Placing**

*Acquisition of deep-learning image analysis company, Intelligent Ultrasound, for up to £3.6m  
& Placing to raise £5.5m*

MedaPhor Group plc (AIM: MED), the global provider of advanced ultrasound skills training simulators for medical professionals, announces its intention to acquire Intelligent Ultrasound Limited ("**Intelligent Ultrasound**" or "**IUL**"), a University of Oxford spin-out company that develops image analysis software for ultrasound, for up to £3.6m and that it has conditionally raised £5.5m before costs to finance the Enlarged Group's new product development plans and working capital requirements.

**Acquisition highlights**

- IUL, founded by world leading academic, Professor Alison Noble OBE FEng FRS, develops deep learning based ultrasound image analysis software
- Acquisition of IUL for up to £3.6m, to be satisfied predominantly by the issuance of new Ordinary Shares at a price of 16.22p each
- Acquiring IUL will allow MedaPhor to expand its existing ultrasound simulator business into the larger ultrasound related software market

**Placing highlights**

- Conditionally raised £5.5m before costs, to be satisfied by the issuance of 44,125,324 new Ordinary shares at a price of 12.5p each
- Net funds to be used to:
  - develop the Intelligent Ultrasound suite of products
  - further develop augmented reality products, inc. an ultrasound needle guiding assistant
  - further develop the existing MedaPhor simulator and training division
  - finance the working capital requirement of the Group
- No EIS/VCT funds raised from the Placing will be applied to any cash consideration element or fees relating to the acquisition.

The Transaction is conditional, *inter alia*, upon the passing of the Resolutions at the General Meeting, which will be held at 10.00am on 5 October 2017 at 44, Southampton Buildings, London WC2A 1AP. Following shareholder approval it is expected that Admission of the Completion Consideration Shares will occur and that dealings will commence at 8.00am on 6 October 2017.

**Commenting on the proposed acquisition, Stuart Gall, Chief Executive of MedaPhor, said:** "*This is a strategic acquisition that will expand our existing ultrasound training simulator business into the larger clinical ultrasound software market. Combining Intelligent Ultrasound's exciting deep learning image analysis software with our existing management, R&D and sales networks, will speed up the commercialisation of the IUL products currently in development and we look forward to working with their excellent team to realise this objective.*"

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**Placing of 44,125,324 new Ordinary Shares at 12.5 pence per share**  
**Acquisition of Intelligent Ultrasound Limited**  
**Approval of waiver of obligations under Rule 9 of the Takeover Code**  
**and Notice of General Meeting**

## **1. Introduction**

The Company has today announced a conditional Placing to raise up to approximately £5.5 million before expenses by the issue and allotment by the Company of 44,125,324 new Ordinary Shares at the Placing Price. The Company also announced today that it has agreed to conditionally acquire Intelligent Ultrasound Limited for a total consideration of up to £3.6 million. Intelligent Ultrasound develops and sells products and services that make medical ultrasound imaging a more effective diagnostic tool. The consideration payable by the Company under the Acquisition Agreement is up to £3.6 million which will be satisfied predominantly by the issuance of new Ordinary Shares and partly in cash to the vendors of Intelligent Ultrasound.

As part of the Placing various IP Group entities have committed to subscribe for 16,000,000 new Ordinary Shares. In addition, Parkwalk, a wholly owned subsidiary of IP Group (but whose assets are managed separately and independently of the assets controlled by IP Group), has also committed as part of the Placing to subscribe for 16,000,000 new Ordinary Shares.

IP Group currently owns, across various entities in aggregate 30.0 per cent. of the issued share capital of Intelligent Ultrasound and has an outstanding convertible loan with the company. Upon conversion of the convertible loan immediately prior to Completion, IP Group will own 40.9 per cent. of the issued share capital of Intelligent Ultrasound. Under the terms of the Acquisition Agreement, IP Group entities will be issued 7,582,979 new Ordinary Shares in exchange for its ordinary shares in Intelligent Ultrasound. In addition, certain parties which IP Group are deemed to be acting in concert with, and who are also shareholders in Intelligent Ultrasound, will be issued 2,105,866 new Ordinary Shares. In both cases, two thirds of these Ordinary Shares will be issued at Completion and one third of the Ordinary Shares will be issued on the First Anniversary. The Concert Party may also receive up to a further 778,845 Ordinary Shares under the terms of the Acquisition Agreement on the Due Date in satisfaction of its portion of the Deferred Consideration, subject to certain targets of Intelligent Ultrasound being met.

Under Rule 9 of the Takeover Code, the issue of the Placing Shares and the Completion Consideration Shares and potentially the Concert Party Deferred Consideration Shares to the Concert Party and the resultant increase in the Concert Party's percentage holding of Ordinary Shares would normally result in the Concert Party being obliged to make an offer to all Shareholders to acquire all the Ordinary Shares that it did not already own. The Takeover Panel has agreed to waive this obligation subject to the approval of the Independent Shareholders (as defined below).

The Transaction is conditional, *inter alia*, upon Shareholders approving the Whitewash Resolution and the resolutions that will grant the Directors the authority to allot the Placing Shares, Consideration Warrants, the Option Shares and Consideration Shares (subject to certain qualifications explained in paragraph 4 below) and to disapply statutory pre-emption rights in respect of the Placing Shares and the Option Shares to be issued upon exercise of the New Options granted under the Consultant Option Agreements, at the General Meeting.

## **2. MedaPhor Group plc – The Business**

MedaPhor is a global provider of advanced ultrasound education and training simulators for medical professionals. Their realistic training simulators enable medical institutions around the world to meet the growing training demand for learning the skills required to use ultrasound, one of the fastest growing medical diagnostic tools.

MedaPhor's two main products are the ScanTrainer ultrasound simulator training platform and the HeartWorks echocardiography simulator. To date, over 500 MedaPhor simulators have been sold to over 300 medical institutions around the world.

The ScanTrainer virtual reality based haptic simulator assists students, doctors and sonographers to acquire ultrasound scanning skills, with minimal expert supervision and without the need for a patient to practise on. The ScanTrainer platform is designed to facilitate both structured learning and skills based examinations, in which integrated metrics provide detailed real-time performance assessment and feedback. The simulator is available in seven languages, opening up leading medical diagnostic markets in Asia, Europe, Africa and South America. The Company also offers a subscription-based cloud service, ScanTrainer Examine, which allows customers to upload and publish their own patient scans and share these with other users around the world and to access its growing 500 case pathology library.

The HeartWorks simulator teaches transthoracic and transoesophageal ultrasound skills to medical professionals. The heart's anatomical structure is taught using a detailed 3D interactive virtual model that trainees can use to visualise internal structures and their inter-relationships. The HeartWorks manikin-based simulator also allows medical practitioners to practise acquiring cardiac ultrasound images, how to interpret these images and lets tutors test their trainees in the skills they have learnt.

In early 2018, MedaPhor plans to launch a new simulator aimed at the global emergency medicine market that combines elements of HeartWorks and ScanTrainer.

### **3. Background to, and reasons for, the Transaction**

Ultrasound is one of the fastest, safest and cheapest medical diagnostic tools available to physicians, but the Directors' view is that ultrasound scanning is currently predominantly carried out by specialist practitioners, mainly because it is a difficult skill to learn and requires a high level of competence. Although there is a growing market in cheaper, more portable ultrasound machines, the Directors believe that this alone is not sufficient to open up the potential for ultrasound to become a mass-market diagnostic tool that can also be used by unskilled medical practitioners. To achieve this, the Directors believe ultrasound needs to become simpler to use by making ultrasound machines more intelligent, supporting users both in their scanning and with automated decision-making. This will involve integrating image analysis using artificial intelligence.

The Directors believe that acquiring Intelligent Ultrasound, a company founded by world leading academic Alison Noble OBE FREng FRS, that develops deep learning based ultrasound image analysis software, will allow MedaPhor to develop software with the potential to address this future market. The combination of Intelligent Ultrasound with MedaPhor's existing management, R&D and sales networks will speed up the commercialisation of the Intelligent Ultrasound products currently in development and expand MedaPhor's product range into the larger ultrasound related software market.

The Acquisition is being financed predominantly through the issue of new Ordinary Shares and partly in cash. The Placing proceeds are to finance the further development of the Intelligent Ultrasound suite of products, further develop augmented reality products within the Enlarged Group and the working capital requirements of the Enlarged Group. **Shareholders should also be aware that if the Placing does not proceed, the Company cannot be certain that suitable financing will be made available at short notice in the required amounts or on acceptable terms for the working capital requirements of the Group.**

### **4. Information on Intelligent Ultrasound**

Intelligent Ultrasound develops deep-learning based image analysis software for ultrasound. Its products in development are based on sophisticated, proprietary computer algorithms and researched insights into patient, clinician and healthcare provider needs. Intelligent Ultrasound's financial year end is 30 September. For the year ended 30 September 2016 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies. The unaudited accounts to 30 September 2016

showed that Intelligent Ultrasound made a net loss of £647,763 (2015: loss £508,765) and had cumulative retained losses of £2,063,233 (2015: retained losses £1,415,470). Intelligent Ultrasound's unaudited balance sheet, as at 30 September 2016, showed net liabilities of £52,387 (2015: net assets £595,376).

#### *Summary of the Acquisition Agreement*

The total consideration of up to £3.6 million is to be satisfied as follows:-

#### *On Completion:*

- by the issue and allotment of the Completion Consideration Shares to the vendors holding shares in Intelligent Ultrasound (the "**Share Vendors**");
- by the issue of the Completion Warrants to the holder of warrants to subscribe for shares in Intelligent Ultrasound (the "**Warrantholder**");
- £0.072 million in cash to the Share Vendors and the Warrantholder;

#### *On the First Anniversary:*

- by the issue and allotment of the Retention Shares to the Share Vendors, being Ordinary Shares that will only be issued provided no claims have been made against the Share Vendors under the Acquisition Agreement that have been set-off against the Retention Shares;
- by the issue of the Retention Warrants to the Warrantholder, being warrants over Ordinary Shares that will be issued provided no claims have been made against the Warrantholder under the Acquisition Agreement that have been set-off against the Retention Warrants;

#### *As to the Deferred Consideration, on the Due Date:*

- by the issue and allotment of the Non-EIS Concert Party Deferred Consideration Shares to the Non-EIS Concert Party Share Vendors provided that no claims have been made against the Non-EIS Concert Party Share Vendors that have been set-off against the Non-EIS Concert Party Deferred Consideration Shares;
- as to the EIS Concert Party Deferred Consideration Amount, the EIS Concert Party Share Vendors will be issued such number of Ordinary Shares as is equal to the EIS Concert Party Deferred Consideration Amount divided by the Relevant Price (the "**EIS Concert Party Deferred Consideration Relevant Price Shares**"). However if the Relevant Price is less than the Issue Price, the Company will:
  - issue to the EIS Concert Party Share Vendors, the EIS Concert Party Deferred Consideration Issue Price Shares; and
  - pay in cash to the EIS Concert Party Share Vendors, an amount that is equal to the EIS Concert Party Deferred Consideration Amount less the amount that is equal to the number of EIS Concert Party Deferred Consideration Issue Price Shares multiplied by the Relevant Price ("**EIS Concert Party Cash Amount**"),

provided in all cases that no claims have been made against the EIS Concert Party Share Vendors that have been set-off against the EIS Concert Party Deferred Consideration Shares and/or EIS Concert Party Cash Amount (if any);

- as to the Other Share Vendors Deferred Consideration Amount, the Other Share Vendors will be issued such number of new Ordinary Shares as is equal to the Other Share Vendors Deferred Consideration Amount divided by the Relevant Price (the "**Other Share Vendors Deferred Consideration Relevant Price Shares**"). However if the Relevant Price is less than the Issue Price, the Company may, at its election:
  - issue to the Other Share Vendors, the Other Share Vendors Deferred Consideration Issue Price Shares; and

- pay in cash to the Other Share Vendors an amount that is equal to the Other Share Vendors Deferred Consideration Amount less the amount that is equal to the number of Other Share Vendors Deferred Consideration Issue Price Shares multiplied by the Relevant Price (“**Other Share Vendors Cash Amount**”),

provided in all cases that no claims have been made against the Other Share Vendors that have been set-off against the Other Share Vendors Deferred Consideration Shares and/or Other Share Vendors Cash Amount (if any);

- by the issue of the Deferred Consideration Warrants to the Warrantholder provided that no claims have been made under the Acquisition Agreement have been made against the Warrantholder that have been set-off against the Deferred Consideration Warrants.

The Deferred Consideration will only be payable on or within 10 Business Days of the Due Date if Intelligent Ultrasound or any affiliate of Intelligent Ultrasound which markets Intelligent Ultrasound’s products, technology or associated services (“**Affiliate**”) enters into a contract or contracts with any OEM on or before 31 December 2017 under which the OEM(s) have made legally binding undertakings to pay Intelligent Ultrasound or the Affiliate at least £773,156 in aggregate by 31 December 2020 in return for the products, technology or associated services of Intelligent Ultrasound (the “**Future Contracts**”). The Due Date will be 15 January 2018 to the extent that an aggregate of at least £773,156 is payable by the OEM(s) under the Future Contracts by 31 December 2020 without the need for achievement of conditions, milestones or deliverables (save for compliance by Intelligent Ultrasound or the Affiliate with its obligations under the Future Contracts). To the extent that an aggregate of at least £773,156 is payable by the OEM(s) by 31 December 2020 subject to the achievement of certain conditions, milestones or deliverables (save for compliance by Intelligent Ultrasound or the Affiliate with its obligations under the Future Contracts), the Deferred Consideration will be paid at a later date, once at least £773,156 has become payable by the OEM(s) under such Future Contracts by 31 December 2020 without the need for achievement of any further conditions, milestones or deliverables (save for compliance by Intelligent Ultrasound or the Affiliate with its obligations) (the “**Second Due Date**”).

As set out above, if the Relevant Price is more than the Issue Price, the Buyer will satisfy the EIS Concert Party Deferred Consideration Amount by issuing Ordinary Shares at the Relevant Price. Accordingly, in these circumstances, the number of EIS Concert Party Deferred Consideration Relevant Price Shares that will need to be issued to the EIS Concert Party Share Vendors is not known. On the basis however that the lowest Relevant Price at which Ordinary Shares will be issued to satisfy the EIS Concert Party Deferred Consideration Amount is the Issue Price, the Company is seeking the authority to issue Ordinary Shares up to a nominal value of £977 as part of the authority to allot new Ordinary Shares in relation to the Concert Party Deferred Consideration Shares. This represents the maximum number of EIS Concert Party Deferred Consideration Relevant Price Shares that will be issued. In the event that the Relevant Price is less than the Issue Price, the Company will satisfy the EIS Concert Party Deferred Consideration Amount partly in cash and partly by the issue of EIS Concert Party Deferred Consideration Issue Price Shares which will have the same nominal value as the maximum number of EIS Concert Party Deferred Consideration Relevant Price Shares that can be issued.

If the Company satisfies the Other Share Vendors Deferred Consideration Amount by issuing Ordinary Shares at the Relevant Price, the number of Other Share Vendors Deferred Consideration Relevant Price Shares that will need to be issued to the Other Share Vendors is not currently known. If the Relevant Price is less than the Issue Price, the Other Share Vendors Deferred Consideration Amount can be satisfied at the Company’s election partly in cash and partly by the issue of the Other Share Vendors Deferred Consideration Issue Price Shares which will have an aggregate nominal value of £7,106. Accordingly, the Company is seeking authority to issue up to 29,931,477 Ordinary Shares, representing 33 per cent. of the Enlarged Share Capital in order to satisfy the Other Share Vendors Deferred Consideration Amount. This authority will only be used in connection with issuing the Other Share Vendors Deferred Consideration Shares. Certain employees of and consultants to Intelligent Ultrasound have options to subscribe for ordinary shares in Intelligent Ultrasound (the “**Optionholders**”) (the “**IUL Options**”). On Completion:

- each of the Optionholders will enter into deeds of release pursuant to which they will release all their rights under the IUL Options;
- those Optionholders that are employees of Intelligent Ultrasound will enter into option agreements pursuant to which they will be granted the option to subscribe for a total of 855,495 Ordinary Shares pursuant to the EMI Share Option Scheme (“**EMI Option Agreements**”);
- those Optionholders that are consultants to Intelligent Ultrasound and one of the Other Share Vendors, who is also a consultant to Intelligent Ultrasound, will enter into stand-alone option agreements pursuant to which they will be granted the option to subscribe for a total of 903,920 Ordinary Shares (“**Consultant Option Agreements**”).

In order to maintain an orderly market in the Ordinary Shares, the Share Vendors have agreed not to dispose of any interest in the Completion Consideration Shares until the First Anniversary and shall not dispose of any Completion Consideration Shares and Retention Shares in the period between the First Anniversary and the Second Anniversary except through Cenkos.

The Acquisition Agreement contains certain fundamental warranties given by all the vendors severally, and other warranties relating to the business and operations of Intelligent Ultrasound (the “**Business Warranties**”) which are being given by three of the Share Vendors (the “**Business Warrantors**”) severally. The Acquisition Agreement also includes covenants and indemnities from all the vendors in favour of the Company. The breach of any of the warranties and indemnities given in favour of the Company could cause the Enlarged Group to incur liabilities and obligations in the event that it seeks to make a claim for such breach. All claims under the Acquisition Agreement can be set-off against the Retention Shares and Retention Warrants and all claims under the Acquisition Agreement other than claims for breach of the Business Warranties can be set-off against the Deferred Consideration. Where set-off is exhausted or unavailable (as in the case of the Business Warranties) or the conditions for paying the Deferred Consideration have not yet been satisfied, any further amount due from the vendors to satisfy a claim shall, at the election of the relevant vendor, be satisfied in cash and/or by the cancellation, repurchase or transfer at nil consideration of such number of Ordinary Shares or warrants to subscribe for Ordinary Shares as is necessary to satisfy the remaining amount of the claim.

The vendors’ liability for breaches of representations, warranties, covenants and indemnities, including certain fundamental representations and covenants, will not exceed the value of the Consideration Shares, the Warrants, the EIS Concert Party Cash Amount (if any) and the Other Share Sellers Cash Amount (if any) received by the vendors. The individual liability for each vendor under the Acquisition Agreement will not exceed the value of the Consideration Shares, the Warrants, the EIS Concert Party Cash Amount and the Other Share Sellers Cash Amount (if any) received by that vendor provided however that the aggregate individual liability for each Business Warrantor in respect of all claims under the Business Warranties will be limited to the value of two thirds of the Completion Consideration Shares and two thirds of the Retention Shares to be issued.

Certain vendors have also given restrictive covenants not to compete for a period of two years from Completion. In addition, two of the Share Vendors will enter into deeds of covenant on Completion, pursuant to which they undertake not to compete with the business of Intelligent Ultrasound for three years from Completion.

**Shareholders should be aware that the negotiated limitations contained in the Acquisition Agreement do not provide MedaPhor with full protection in relation to all risks related to Intelligent Ultrasound’s business. As a result of such limitations, the right of the Enlarged Group to recover damages or compensation in the event of contingent liabilities covered by such warranties or indemnities crystallising or an undisclosed liability of Intelligent Ultrasound being discovered after completion of the Transaction, may not be sufficient to cover the full extent of the relevant liability and MedaPhor may not have recourse against the vendors of Intelligent Ultrasound in respect of any loss suffered.**

The Consideration Shares to be issued under the Acquisition Agreement will be issued free of all liens, charges and encumbrances and will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after the date of their issue.

Application will be made to the London Stock Exchange for the admission of the Completion Consideration Shares to trading on AIM. It is expected that Admission will occur and that dealings will commence at 8.00 a.m. on 6 October 2017 at which time it is also expected that the Completion Consideration Shares will be enabled for settlement in CREST.

The Acquisition is conditional on the Placing completing and therefore the passing of the Resolutions (including the Whitewash Resolution).

## **5. Details of the Placing**

The Company has conditionally raised approximately £5.5 million before expenses by the conditional Placing of up to 44,125,324 Placing Shares at the Placing Price to the Placees. Cenkos is acting as broker to the Placing. The Placing is conditional, *inter alia*, upon:

- a) the passing of the Whitewash Resolution at the General Meeting by Independent Shareholders on a poll;
- b) the passing of the Resolutions (excluding the Whitewash Resolution) at the General Meeting by Shareholders;
- c) the Placing Agreement becoming or being declared unconditional in all respects and not having been terminated in accordance with its terms prior to Admission;
- d) the Acquisition Agreement becoming or being declared unconditional in all respects and not having been terminated in accordance with its terms prior to Admission; and
- e) Admission becoming effective by no later than 8.00 a.m. on 6 October 2017 or such later time and/or date (being no later than 8.00 a.m. on 6 November 2017) as Cenkos and the Company may agree.

If any of the conditions are not satisfied, the Placing Shares will not be issued and all monies received from the Placees will be returned to the Placees (at the Placees' risk and without interest) as soon as possible thereafter. The Placing is not being underwritten.

The Placing Shares will be issued free of all liens, charges and encumbrances and will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after the date of their issue.

Application will be made to the London Stock Exchange for the admission of the Placing Shares to trading on AIM. It is expected that Admission will occur and that dealings will commence at 8.00 a.m. on 6 October 2017 at which time it is also expected that the Placing Shares will be enabled for settlement in CREST.

### ***Enterprise Investment Scheme (EIS) and Venture Capital Trust (VCT) Schemes***

The Company has applied for, and obtained, provisional advance assurance from HMRC that certain Placing Shares issued should satisfy the requirements for tax relief under EIS and are expected to constitute a qualifying holding for a VCT. The actual availability of relief under the EIS and qualifying status for VCT Scheme purposes will be contingent upon certain conditions being met by both the Company and the relevant investors. Accordingly, an investor participating in the Placing should take its own independent advice on any subscription undertaken.

### ***EIS Control and Independence Requirement and the Transaction***



Upon completion of the Transaction, IP Group and Parkwalk, which is wholly owned by IP Group (but whose assets are managed separately and independently of the assets controlled by IP Group), will hold more than 50% of the Ordinary Shares. In the opinion of the Board, this combined holding will not be in breach of the EIS Control and Independence Requirement, because the Ordinary Shares will be held by Parkwalk beneficially on behalf of individual EIS investors and, while Parkwalk may exercise voting rights on behalf of these investors, Parkwalk does not possess voting rights. Consequently, Parkwalk's shareholding in the Company may be disaggregated from that of IP Group in applying the EIS Control and Independence Requirement and IP Group, on its own, will hold less than 50% of the Ordinary Shares. **If in doubt, Shareholders are advised to take their own independent advice in assessing the merits of the Transaction.**

## 6. Related Party Transactions

IP Group first invested in the Company in 2008 through Fusion Cardiff formerly Fusion Cardiff Limited, and retains a significant holding in the Company. IP Group as at the date of this document, across Fusion Cardiff, IP2IPO and IPVFII (a limited partnership in which IP2IPO is a limited partner), directly and indirectly, holds in aggregate 11,721,162 Ordinary Shares, representing 34.25 per cent. of the Existing Ordinary Shares. IP Group is therefore a "related party" (as defined by the AIM Rules) of the Company by virtue of its shareholding in the Company. David Baynes who is a director of IP Group is also a non-executive director of the Company. For the purposes of the AIM Rules, David Baynes is deemed to hold an indirect interest in the Ordinary Shares owned by IP Group entities by virtue of his directorship in IP Group.

As part of the Placing, IP Group through its wholly owned subsidiaries Fusion Cardiff, IP2IPO and IPVFII have committed to subscribe for in aggregate 16,000,000 new Ordinary Shares. In addition, Parkwalk, a wholly owned subsidiary of IP Group (but whose assets are managed separately and independently of the assets controlled by IP Group) has also committed to subscribe for 16,000,000 new Ordinary Shares through the Placing. As IP Group through various entities is an existing substantial shareholder in the Company the subscription of Placing Shares by IP Group and Parkwalk is deemed a related party transaction.

IP Group through its wholly owned subsidiaries IP2IPO Portfolio and IPVFII beneficially owns 103,798 ordinary shares in Intelligent Ultrasound, which represents 30.0 per cent. of the issued share capital of Intelligent Ultrasound. IP Group, through IP2IPO Portfolio and IPVFII, also has a convertible loan with Intelligent Ultrasound which they intend to convert immediately prior to Completion. Following conversion of the convertible loan IP Group will own 40.9 per cent. of the issued share capital of Intelligent Ultrasound.

Under the terms of the Acquisition Agreement, IP Group will (through its wholly owned subsidiaries) receive 5,055,320 new Ordinary Shares on Completion, up to 2,527,659 new Ordinary Shares on the First Anniversary and up to a further 609,565 new Ordinary Shares on the Due Date in the event that certain deferred consideration targets are met by Intelligent Ultrasound. As IP Group is an existing substantial shareholder in the Company the Acquisition is deemed a related party transaction.

Immediately following Completion, it is expected that IP Group will hold across various entities (and consequently Mr Baynes will be deemed under the AIM Rules to have an indirect interest in) in aggregate 48,776,482 Ordinary Shares (including 16,000,000 new Ordinary Shares to be held by Parkwalk, a wholly owned subsidiary of IP Group but whose assets are managed separately and independently of the assets controlled by IP Group) representing 53.78 per cent. of the Enlarged Share Capital.

The Directors, save for David Baynes and Stuart Gall, consider, having consulted with Cenkos, the Company's Nominated Adviser for the purposes of the AIM Rules, that the terms of the related party subscription(s) and the Acquisition are fair and reasonable insofar as the shareholders of the Company are concerned. David Baynes, as a director of IP Group, is not deemed independent for the purposes of assessing the related party transactions with IP Group set out above. Mr Gall has a service agreement with a subsidiary of IP Group and also owns 20,000 ordinary shares in IP Group. Mr Gall and the Independent Directors therefore believe it is appropriate that he does not form part of any fair and reasonable opinion related to IP Group.

## 7. The Takeover Code

Under Rule 9 of the Takeover Code, any person who acquires an interest (as defined in the Takeover Code) in shares which, taken together with shares in which he is already interested and in which persons acting in concert with him are interested, carry 30 per cent. or more of the voting rights of a company which is subject to the Takeover Code, is normally required to make a general offer to all the remaining shareholders to acquire their shares.

Similarly, when any person, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of such a company but does not hold shares carrying more than 50 per cent. of such voting rights, a general offer will normally be required if any further interest in shares is acquired by any such person or persons acting in concert with him which increases the percentage of shares carrying voting rights held by such persons. These limits apply to the entire concert party as well as the total beneficial holdings of individual members.

An offer under Rule 9 must be made in cash and at the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in shares of the company during the 12 months prior to the announcement of the general offer. As at the date of this document the Concert Party holds directly and indirectly in aggregate 11,721,162 Ordinary Shares, representing approximately 34.25 per cent. of the Existing Ordinary Shares. On Admission, the Concert Party will be directly and indirectly interested in aggregate in 50,180,394 Ordinary Shares, representing approximately 55.32 per cent. of the Enlarged Share Capital. A table showing the interests of the Concert Party in Ordinary Shares on Admission is set out below:

	Number of Ordinary Shares held on 12 September 2017	Percentage of Existing Ordinary Share Capital on 12 September 2017	Number of Shares to be Placed	Number of new Ordinary shares being Issued as part of the Acquisition Agreement on Admission	Resulting number of Ordinary Shares held immediately following Admission	Resulting holding as a percentage of the Enlarged Share Capital	Maximum number of Ordinary Shares being issued on the First Anniversary under the Acquisition Agreement	Resulting maximum number of Ordinary Shares held immediately following Admission of the Retention Shares to AIM	Resulting maximum percentage of the Company's issued share capital as at the First Anniversary provided no other Ordinary Shares than the Placing Shares and Completion Shares are issued following Admission
Fusion Cardiff	5,244,455	15.32%	6,169,420	0	11,413,875	12.58%	0	11,413,875	11.78%
IP2IPO	4,276,358	12.50%	5,030,580	0	9,306,938	10.26%	0	9,306,938	9.61%
IPVFII	2,200,349	6.43%	4,800,000	1,516,587	8,516,936	9.39%	758,293	9,275,229	9.57%
IP2IPO Portfolio	0	0.00%	0	3,538,733	3,538,733	3.90%	1,769,366	5,308,099	5.48%
Parkwalk	0	0.00%	16,000,000	0	16,000,000	17.64%	0	16,000,000	16.52%
Technikos	0	0.00%	0	594,170	594,170	0.66%	297,085	891,255	0.92%
Nicholas Hornby	0	0.00%	0	92,631	92,631	0.10%	46,315	138,946	0.14%
Scobie Ward	0	0.00%	0	154,425	154,425	0.17%	77,212	231,637	0.24%
George Robinson	0	0.00%	0	401,923	401,923	0.44%	200,961	602,884	0.62%
Richard Chenevix-Trench	0	0.00%	0	160,763	160,763	0.18%	80,381	241,144	0.25%
<b>Total Concert Party Shareholding</b>	<b>11,721,162</b>	<b>34.25%</b>	<b>32,000,000</b>	<b>6,459,232</b>	<b>50,180,394</b>	<b>55.32%</b>	<b>3,229,613</b>	<b>53,410,007</b>	<b>55.13%</b>

In addition to the above IP2IPO Portfolio, IPVFII, Technikos, Nicholas Hornby, Scobie Ward, George Robinson and Richard Chenevix-Trench (all legal or beneficial shareholders of Intelligent Ultrasound) have a contractual right under the terms of the Acquisition Agreement to receive up to a further 778,845 new Ordinary Shares subject to certain deferred consideration targets being met by Intelligent Ultrasound. Should these members

of the Concert Party receive these Ordinary Shares in full, the Placing and the Acquisition completes, the Retention Shares are issued and assuming:

- no other Ordinary Shares are issued by the Company following Admission; and
- the Placing is fully subscribed;
- 

then the Concert Party would have an interest in the Company of, in aggregate, up to 54,188,852 Ordinary Shares, representing 55.49 per cent, of the Company's issued share capital at that date. Further details of the deferred consideration due under the Acquisition Agreement are set out in paragraph 4.

**Shareholders should be aware that if the Whitewash Resolution is passed and the Placing completes, then following completion of the Transaction, the Concert Party (or their associated investment vehicles) will hold an interest in Ordinary Shares carrying more than 50 per cent. of the voting rights of the Company's voting share capital. Accordingly, the Concert Party would subsequently be able to increase their interests in the voting rights of the Company without incurring a further obligation under Rule 9 to make a general offer. Individual members of the Concert Party will not however be able to increase their percentage shareholding through a Rule 9 threshold without Takeover Panel consent.**

### Relationship between the Concert Party members

Fusion Cardiff, IP2IPO, IPVFII, and Parkwalk, each of whom is subscribing for Ordinary Shares as part of the Placing, and IP2IPO Portfolio are wholly owned or controlled by IP Group, and are therefore presumed as acting in concert with IP Group under the Takeover Code. David Baynes, a non-executive director of the Company, who is a director of IP Group is also presumed as acting in concert with IP Group under the Takeover Code.

The shareholders of Intelligent Ultrasound, as shareholders of a private company exchanging their shares for shares in the Company, are presumed to be acting in concert by presumption (9) of the definition of acting in concert in the Takeover Code. The Takeover Panel has agreed to rebut the presumption in relation to all shareholders of Intelligent Ultrasound other than IP Group and its various entities, Teknikos, Nick Hornby, Scobie Ward, George Robinson and Richard Chenevix-Trench. The Takeover Panel has not agreed to rebut the presumption in relation to these persons because IP Group, Nick Hornby, Scobie Ward, George Robinson and Richard Chenevix-Trench each have an economic interest, by way of differently weighted profit sharing points, and a voting interest in Teknikos as set out below:

Name	Technikos	
	Voting interest	Economic interest
IP Group	17.97%	20.00%
Nick Hornby	1.28%	1.05%
Scobie Ward	4.36%	4.21%
George Robinson	14.40%	14.67%
Richard Chenevix-Trench	16.02%	18.43%

### Rule 9 Waiver

The Takeover Panel has agreed to waive the obligation of the Concert Party to make a general offer ("**Rule 9 Waiver**") that would otherwise arise as a result of the Transaction, subject to the approval, on a poll, of the Shareholders of the Company other than (i) the Concert Party (and anyone acting in concert with it) and (ii) the other Placees participating in the Placing who hold Ordinary Shares (the remaining Shareholders being the "**Independent Shareholders**"). Accordingly, the Whitewash Resolution is being proposed at the General Meeting, and will be taken on a poll. Members of the Concert Party (and anyone acting in concert with its members) and the other Placees who hold Ordinary Shares will not be entitled to vote on the Whitewash Resolution.

## 8. Intentions of the Concert Party

If the Whitewash Resolution is passed by the Independent Shareholders on a poll, there is no agreement, arrangement or understanding for the transfer by any member of the Concert Party of its new Ordinary Shares to any third party. No member of the Concert Party has any intention to make any changes in relation to:

- the future business of the Company;
- the continued employment of the Company's employees and management, including the continued employment of, or the conditions of employment and any such rights relating thereto of, any of the Company's employees and management;
- the strategic plans of the Company;
- the locations of the Company's places of business;
- employer contributions into the Company's pension scheme (including with regard to current arrangements for the funding of any scheme deficit) and the admission of new members;
- the redeployment of any fixed assets of the Company; or
- the maintenance of any existing trading facilities for the relevant securities.

The members of the Concert Party do not intend to change their own current business strategy as a result of the Transaction. If the Whitewash Resolution is passed by the Independent Shareholders at the General Meeting, the Concert Party will not be restricted from making an offer for the Company.

## 9. Current trading

The Group's unaudited interim results for the six months ended 30 June 2017, which were announced on 31 July 2017, reported turnover at £2.1m for the first half of the year, up 63 per cent. on the comparative period (six months to 30 June 2016: £1.3m). Inventive Medical Limited ("IML"), which was acquired by the Company in August 2016, contributed £1.1m to Group turnover in the first six months of this year in respect of sales of its HeartWorks cardio training simulator systems.

The Group's operating loss for the 6 months to 30 June 2017 was £1.3m (6 months to 30 June 2016: loss £1m).

Cash at bank at 30 June 2017 was £0.6m (31 December 2016: £1.8m).

The Group is currently trading in line with management's expectations. The funds raised by the Placing will take the Enlarged Group through the next phase of its sales growth, as well as providing the first stage development funds required to expand the Group's product range into the new area of automated ultrasound image analysis software.

## 10. Use of Proceeds

The Company is undertaking the Placing to provide working capital for both the existing MedaPhor business and Intelligent Ultrasound. The Directors expect to utilise the net Placing proceeds as follows:

- £2.5m will be used to develop the Intelligent Ultrasound suite of products;
- £1.0m will be used to further develop augmented reality products, including an ultrasound needle guiding assistant; and
- £1.5m will be used to finance the working capital requirement of the Group and to further develop the existing MedaPhor simulator and training division;

## 11. Independent advice provided to the Board

The Takeover Code requires the Board to obtain competent independent advice regarding the merits of the Transaction which is the subject of the Whitewash Resolution, the increase of the Concert Parties controlling position and the effect it will have on Shareholders generally. Accordingly, Cenkos, as the Company's financial adviser, has provided formal advice to the Board regarding the Transaction. Cenkos confirms that it is independent of the Concert Parties and has no commercial relationship with them.

## **12. Board Changes**

Upon Admission, or as soon as practicable thereafter, the Company intends to appoint Andrew Barker or another of the Share Vendors to the Board of the Company as a Non-Executive Director on terms to be agreed. Mr Barker is currently Chairman of Intelligent Ultrasound.

## **13. General Meeting**

The Directors do not currently have the authority to allot all of the new Ordinary Shares required to complete the Transaction on a non-pre-emptive basis and, accordingly, the Board is seeking the approval of Shareholders for the authority to allot the necessary new Ordinary Shares at the General Meeting. The Transaction is also conditional upon Shareholders approving the Whitewash Resolution.

A circular containing a notice convening a general meeting of the Company, to be held at 10.00 a.m. on 5 October 2017 at 44 Southampton Buildings, London WC2A 1AP, has today been sent to shareholders (the "Circular"). The Circular contains the Resolutions to enable the Rule 9 Waiver, Placing and Acquisition. In accordance with the requirements of the Takeover Panel for granting the Rule 9 Waiver in relation to the Transaction, the Whitewash Resolution will be taken on a poll of Independent Shareholders.

## **14. Recommendation**

**The Independent Directors consider the Transaction to be in the best interests of the Company and its Shareholders as a whole. The Independent Directors, who have been so advised by Cenkos, consider that the Transaction is fair and reasonable and in the best interests of the Independent Shareholders and the Company as a whole. In providing advice to the Independent Directors, Cenkos has taken into account the Independent Directors' commercial assessments.**

**The Independent Directors unanimously recommend that Shareholders vote in favour of the Whitewash Resolution, as they have undertaken to do in respect of their own beneficial holdings, representing approximately 5.46 per cent. in aggregate of the Existing Ordinary Shares.**

**David Baynes, as a director of IP Group, is not deemed independent for the purposes of providing a recommendation on the Whitewash Resolution to Independent Shareholders. Stuart Gall has also withheld providing any recommendation to Independent Shareholders on the Whitewash Resolution as he has a service agreement with a subsidiary of IP Group and owns 20,000 ordinary shares of 2 pence each in IP Group. Mr Gall has also committed to abstain from voting on the Whitewash Resolution.**

**The Directors consider the Placing and Acquisition to be in the best interests of the Company and its Shareholders as a whole. The Directors as a whole unanimously recommend that Shareholders vote in favour of all the Resolutions (excluding the Whitewash Resolution), as they have undertaken to do in respect of their own beneficial holdings, representing approximately 5.58 per cent. in aggregate of the Existing Ordinary Shares.**

**The Transaction is conditional, inter alia, upon the passing of the Resolutions at the General Meeting. Shareholders should be aware that if the Resolutions are not approved at the General Meeting, neither the Placing nor the Acquisition will proceed. Should the Placing not proceed, the Company cannot be certain that suitable financing will be made available at short notice in the required amounts or on acceptable terms for the working capital requirements of the Group.**



## DEFINITIONS

*The following words and expressions shall have the following meanings in this document unless the context otherwise requires:*

<b>Acquisition</b>	the acquisition of Intelligent Ultrasound
<b>Acquisition Agreement</b>	the share purchase agreement dated 19 September 2017 entered into between the Company and those vendors named in Schedule 1 of the Acquisition Agreement pursuant to which the Company has agreed to acquire the entire issued and to be issued share capital of Intelligent Ultrasound
<b>Act</b>	Companies Act 2006 as amended
<b>acting in concert</b>	shall have the meaning ascribed thereto in the Takeover Code
<b>Admission</b>	the admission of the Placing Shares and Completion Consideration Shares to trading on AIM in accordance with the AIM Rules for Companies
<b>AIM</b>	the AIM market operated by London Stock Exchange
<b>AIM Rules for Companies</b>	the AIM Rules for Companies and guidance notes as published by London Stock Exchange from time to time
<b>Board or Directors</b>	the directors of the Company
<b>Business Day</b>	a day (other than a Saturday or Sunday) on which banks are open for general business in London
<b>Capita</b>	Capita Registrars Limited
<b>Cenkos</b>	Cenkos Securities plc, with registered number 05210733 and with its registered office at 6.7.8 Tokenhouse Yard, London EC2R 7AS
<b>Company or MedaPhor</b>	MedaPhor Group plc, incorporated in England and Wales under registered number 09028611
<b>Completion</b>	completion of the Acquisition Agreement in accordance with its terms
<b>Completion Consideration Shares</b>	12,351,961 Ordinary Shares
<b>Completion Warrants</b>	warrants to subscribe for 837,795 Ordinary Shares on the terms and conditions of the Warrant Instrument
<b>Concert Party</b>	IP Group, Fusion Cardiff, IP2IPO, IPVFII, IP2IPO Portfolio, Parkwalk, Technikos, Nicholas Hornby, Scobie Ward, George Robinson and Richard Chenevix-Trench

<b>Concert Party Deferred Consideration Shares</b>	the EIS Concert Party Deferred Consideration Shares and the Non-EIS Concert Party Deferred Consideration Shares
<b>Consideration Shares</b>	the Completion Consideration Shares, the Retention Shares and the Deferred Consideration Shares
<b>Consideration Warrants</b>	the Completion Warrants, the Retention Warrants and the Deferred Consideration Warrants
<b>Consultant Option Agreements</b>	has the meaning given in paragraph 4 of this announcement
<b>Deferred Consideration</b>	£258,000
<b>Deferred Consideration Shares</b>	the Concert Party Deferred Consideration Shares and the Other Share Vendors Deferred Consideration Shares
<b>Deferred Consideration Warrants</b>	warrants to subscribe for 101,020 Ordinary Shares on the terms and conditions of the Warrant Instrument
<b>DTR</b>	the Disclosure, Transparency and Guidance Rules being the rules and regulations made by the Financial Conduct Authority in its capacity as the UKLA under Part VI of FSMA, as amended and contained in the UKLA publication of the same name
<b>Due Date</b>	the due date for the payment of the Deferred Consideration as determined in accordance with the Acquisition Agreement, being the later of 15 January 2018 or the Second Due Date (if any);
<b>EIS Concert Party Deferred Consideration Amount</b>	£15,839
<b>EIS Concert Party Deferred Consideration Issue Price Shares</b>	97,636 Ordinary Shares
<b>EIS Concert Party Deferred Consideration Shares</b>	the EIS Concert Party Deferred Consideration Relevant Price Shares or the EIS Concert Party Deferred Consideration Issue Price Shares
<b>EIS Concert Party Share Vendors</b>	Nicholas Hornby, Scobie Ward, George Robinson and Richard Chenevix-Trench
<b>EIS Control and Independence Requirement</b>	has the meaning set out in Part 5, Chapter 4, sections 185(1) and 185(2) of the Income Taxes Act 2007
<b>EMI Share Option Scheme</b>	the EMI Share Option Scheme approved by the Company on 14 August 2014
<b>Enlarged Group</b>	the existing Group and, subject to completion, Intelligent Ultrasound



<b>Enlarged Share Capital</b>	the entire issued share capital of the Company immediately following completion of the Transaction, assuming the Placing is fully subscribed and no further Ordinary Shares are issued following the date of this document (except for Placing Shares and Completion Consideration Shares)
<b>Existing Ordinary Shares</b>	the Ordinary Shares in issue as at the date of this document
<b>First Anniversary</b>	the date falling 12 months from Completion
<b>Form of Proxy</b>	the form of proxy for use at the General Meeting which accompanies this document
<b>Fusion Cardiff</b>	Fusion IP Cardiff Limited, with registered number 05844525 and with its registered office at The Walbrook Building, 25 Walbrook, London EC4N 8AF
<b>General Meeting</b>	the general meeting of the Company, notice of which is set out at the end of this document
<b>Group</b>	the Company and its subsidiaries
<b>Independent Directors</b>	Riccardo Pigliucci, Wilson Jennings, Nicholas Sleep, Ian Whittaker, Nazar Amso and Nicholas Avis
<b>Independent Shareholders</b>	Shareholders excluding the Concert Party
<b>Independent Shares</b>	the Ordinary Shares held by Independent Shareholders
<b>Intelligent Ultrasound</b>	Intelligent Ultrasound Limited, with registered number 08107443 and with its registered office at Innovation Centre 99 Park Drive, Milton Park, Abingdon, Oxfordshire, OX14 4RY
<b>IP2IPO</b>	IP2IPO Limited, with registered number 04072979 and with its registered office at The Walbrook Building, 25 Walbrook, London EC4N 8AF
<b>IP2IPO Portfolio</b>	IP2IPO Portfolio L.P., with registered number LP017872 and acting by its general partner IP2IPO Portfolio (GP) Limited, with registered number 10360684 and with their registered office at The Walbrook Building, 25 Walbrook, London EC4N 8AF
<b>IP Group</b>	IP Group plc, with registered number 4204490 and with its registered office at The Walbrook Building, 25 Walbrook, London EC4N 8AF

<b>IPVFII</b>	IP Venture Fund II L.P., with registered number LP015513 and acting by its general partner IP Venture Fund II (GP) LLP, with registered number OC384792 and with their registered office at The Walbrook Building, 25 Walbrook, London EC4N 8AF
<b>Issue Price</b>	16.22 pence
<b>London Stock Exchange</b>	London Stock Exchange Limited
<b>New Options</b>	the rights to acquire Option Shares to be granted by the Company to certain employees and consultants of Intelligent Ultrasound pursuant to the terms of the EMI Options Agreements and the Consultant Option Agreements
<b>Non-EIS Concert Party Deferred Consideration Shares</b>	681,209 Ordinary Shares
<b>Non-EIS Concert Party Share Vendors</b>	Technikos, IP2IPO Portfolio and IPVFII
<b>Notice of General Meeting</b>	the notice of the General Meeting which is set out in the Circular
<b>OEM</b>	original equipment manufacturer
<b>Option Shares</b>	the Ordinary Shares to be issued upon the exercise of the New Options
<b>Optionholders</b>	has the meaning given in paragraph 4 of this announcement
<b>Ordinary Shares</b>	ordinary shares of 1 pence each in the capital of the Company
<b>Other Share Vendors</b>	the Share Vendors other than the EIS Concert Party Share Vendors and the Non-EIS Concert Party Share Vendors
<b>Other Share Vendors Deferred Consideration Amount</b>	£115,266
<b>Other Share Vendors Deferred Consideration Issue Price Shares</b>	710,534 Ordinary Shares
<b>Other Share Vendors Deferred Consideration Shares</b>	the Other Share Vendors Deferred Consideration Issue Price Shares or the Other Share Vendors Deferred Consideration Relevant Price Shares
<b>Parkwalk</b>	Parkwalk Advisors Ltd, with registered number 06925696 and with its registered office at University House, 11-13 Lower Grosvenor Place, London, SW1W 0EX

<b>Placees</b>	the subscribers for the Placing Shares pursuant to the Placing, being IP Group (through its wholly owned subsidiaries Fusion Cardiff, IP2IPO and IPVFI), Parkwalk, Polar Capital LLP, Lesmoir-Gordan, Boyle and Co Limited, MD Barnard and Co Ltd, WH Ireland Ltd and Rathbone Investment Management
<b>Placing</b>	the placing by the Company of the Placing Shares with the Placees (or their associated investment vehicles), otherwise than on a pre-emptive basis, at the Placing Price
<b>Placing Agreement</b>	the agreement entered into between the Company and Cenkos in respect of the Placing dated 19 September 2017
<b>Placing Price</b>	12.5 pence per new Ordinary Share
<b>Placing Shares</b>	44,125,324 Ordinary Shares to be issued pursuant to the Placing
<b>Relevant Company Securities</b>	shares in the Company (or derivatives referenced thereto) and securities convertible into, rights to subscribe for and options (including traded options) in respect thereof, including, for the avoidance of doubt, the Ordinary Shares
<b>Relevant Price</b>	the average of the closing middle market quotations of the Ordinary Shares in the five Business Days immediately preceding the Due Date as derived from the AIM Appendix to the Daily Official List of the London Stock Exchange;
<b>Resolutions</b>	the resolutions set out in the Notice of General Meeting
<b>Retention Shares</b>	6,175,975 Ordinary Shares
<b>Retention Warrants</b>	warrants to subscribe for 418,897 Ordinary Shares on the terms and conditions of the Warrant Instrument
<b>Rule 9 Waiver</b>	the waiver by the Takeover Panel of the obligation of the Concert Party to make a general offer under Rule 9 of the Takeover Code (which would otherwise arise as a consequence of the Placing and Acquisition) granted by the Takeover Panel conditional upon the approval of the Independent Shareholders by the passing of the Whitewash Resolution on a poll
<b>Second Anniversary</b>	the date falling 24 months from Completion
<b>Second Due Date</b>	has the meaning given in paragraph 4

<b>Shareholder(s)</b>	holder(s) of Ordinary Shares
<b>Takeover Code</b>	The City Code on Takeovers and Mergers
<b>Takeover Panel</b>	the Panel on Takeovers and Mergers
<b>Technikos</b>	Technikos LLP, with registered number 00319725 with its registered office at 50 Mark Lane, 4th Floor, London EC3R 7QR
<b>Transaction</b>	together, the Placing, the Acquisition and the Rule 9 Waiver
<b>UK or United Kingdom</b>	the United Kingdom of Great Britain and Northern Ireland
<b>voting rights</b>	means all voting rights attributable to the share capital of the Company which are currently exercisable at a general meeting
<b>Warrant Instrument</b>	the instrument to be executed by the Company on Completion
<b>Warrants</b>	warrants to subscribe for Ordinary Shares on the terms of the Warrant Instrument
<b>Whitewash Resolution</b>	the resolution numbered 1 set out in the Notice of General Meeting