

# Fundraising and Loan Note Cancellation

RNS Number : 0982N

DX (Group) PLC

03 May 2018

**NOT FOR RELEASE, PUBLICATION, OR DISTRIBUTION IN OR INTO THE UNITED STATES OF AMERICA,  
AUSTRALIA, CANADA, THE REPUBLIC OF SOUTH AFRICA OR JAPAN**

**DX (GROUP) PLC**  
("DX", the "Company" or "the Group")

**Proposed Fundraising to raise £4.76 million,  
Loan Note Cancellation and Redemption,  
Related Party Transactions,  
Rule 9 Waiver,  
and  
Notice of General Meeting**

Further to the announcement of 29 March 2018, DX, a well-established provider of delivery solutions, including parcel freight, secure, courier and logistics services, is pleased to announce details of a proposed placing and subscription to raise gross proceeds of approximately £4.76 million, (the "Fundraising") and a loan note cancellation and redemption (together the "Loan Note Settlement") (the Fundraising and Loan Note Settlement together, the "Transaction").

A Circular in respect of the Fundraising, Loan Note Settlement, Related Party Transactions and Rule 9 Waiver will be posted to shareholders today. The Circular also gives notice of a General Meeting of the Company, to be held at 9.00 a.m. on 22 May 2018 at the offices of finnCap, 60 New Broad Street, London EC2M 1JJ for Shareholders to consider these proposals.

The Board believes that the Transaction will significantly strengthen DX's financial position and enhance the Group's turnaround prospects. It therefore views the Transaction as being in the long-term interests both of the Company and its Shareholders as a whole.

## **KEY POINTS**

### **Fundraising**

- The Fundraising is comprised of:
  - a Placing of 48,647,060 new Ordinary Shares to institutional and other investors to raise gross proceeds of £4.135 million; and
  - a Subscription for 7,382,352 new Ordinary Shares by certain Directors and PDMR's to raise gross proceeds of £0.627 million.
- The Fundraising Price of 8.5 pence per Ordinary Share is above the previously indicated minimum price of 7.41 pence per Ordinary Share. This reflects strong institutional demand for the Placing and share price momentum following the announcement of the Group's Turnaround Plan on 29 March 2018.
- The net proceeds of the Fundraising, alongside the Company's existing cash resources, will provide capital for the Group to:
  - expand its sales capabilities;
  - open new depots and so improve the efficiency of the Group's networks;
  - improve IT systems;
  - separate the DX Express networks;
  - assist with working capital requirements; and
  - redeem £262,500 of the Loan Notes, the proceeds of which certain Directors will apply to participating in the Subscription.

### **Loan Note Settlement**

- The Company proposes to issue between 304,242,576 and 322,257,281 Cancellation Shares to the Cancellation Loan Note Holders, with the final quantum dependent on the closing mid-market price of an Ordinary Share on 22 May 2018, the date immediately prior to Admission.
- The issue price of the Cancellation Shares to be issued to the Cancellation Loan Note Holders other than Lloyd Dunn will be 7.41 pence per Cancellation Share, being the closing mid-market price of an Ordinary Share on 28 March 2018 (the date on which agreement in principle was reached between the Company and the Cancellation Loan Note Holders).
- The issue price of the Cancellation Shares issued to Lloyd Dunn will be the closing mid-market price of an Ordinary Share on the last dealing day prior to Admission (which is expected to be the date of the General Meeting on 22 May 2018), with the proviso that this issue price shall be no less than 8.5 pence per Cancellation Share (being the Fundraising Price) and shall not exceed 12.0 pence per Cancellation Share.
- The Company has undertaken to redeem £262,500 of Loan Notes for cash in order that those Loan Note Holders who are also Directors of the Group can apply these funds to participate in the Subscription.
- Accrued interest up until 22 May 2018 of £1,063,041 will be paid to Loan Note Holders in cash and there will be no payment made in lieu of forgone interest.
- As a consequence of the Cancellation and Redemption, the Company will no longer be liable to pay

approximately £2.0 million per annum of interest payments that would otherwise be due if the Loan Note Settlement were not to proceed.

#### **Approval of Waiver of Rule 9**

- On Admission, Gatmore will be interested in 204,378,538 Ordinary Shares, representing between 35.3 and 36.4 per cent. of the Company's Enlarged Issued Share Capital. In the absence of a waiver of the obligations under Rule 9 of the Takeover Code, this is an amount that would require Gatmore to make a general offer to Shareholders.
- The Panel has agreed to grant a waiver of this obligation provided that the Waiver Resolution (Resolution 7) is approved at the General Meeting on a poll by Independent Shareholders.

#### **Related Party Transactions**

- Gatmore is a substantial Shareholder in DX, holding approximately 23.8 per cent. of the voting rights of the Company and, as such, Gatmore is considered to be a related party of the Company as defined by the AIM Rules. The issue to Gatmore of 156,578,947 new Ordinary Shares pursuant to the Cancellation therefore constitutes a related party transaction pursuant to AIM Rule 13. The Independent Directors, having consulted with the Company's nominated adviser, finnCap, consider that the terms of the issuance to Gatmore of the 156,578,947 new Ordinary Shares pursuant to the Cancellation are fair and reasonable insofar as the Shareholders are concerned.
- Ronald Series, David Mulligan, Paul Goodson and Russell Black are Directors of the Company and as such are considered to be related parties of the Company as defined by the AIM Rules. Their participation in the Subscription therefore constitutes a related party transaction pursuant to AIM Rule 13. The Independent Director, having consulted with the Company's nominated adviser, finnCap, considers that the participation of Ronald Series, David Mulligan, Paul Goodson and Russell Black in the Subscription is fair and reasonable insofar as the Shareholders are concerned.
- Ronald Series, Lloyd Dunn, Paul Goodson and Russell Black are Directors of the Company and as such are considered to be related parties of the Company as defined by the AIM Rules. The issue of Cancellation Shares to Lloyd Dunn and the payment of cash to the Redemption Loan Note Holders, pursuant to the Redemption therefore constitute related party transactions pursuant to AIM Rule 13. The Independent Directors, having consulted with the Company's nominated adviser, finnCap, consider that the issue of the Cancellation Shares to Lloyd Dunn, and the Redemption of the Loan Notes held by the Redemption Loan Note Holders are fair and reasonable insofar as the Shareholders are concerned.

#### **Notice of General Meeting**

- A Circular to Shareholders in respect of, *inter alia*, the Transaction is expected to be posted later today giving notice of a General Meeting of the Company, which will be held at 9.00 a.m. on 22 May 2018 at the office of finnCap, 60 New Broad Street, London EC2M 1JJ.
- A copy of the Circular will be available on the Company's website at [www.dxdelivery.com](http://www.dxdelivery.com)

#### **Admission**

Application will be made to the London Stock Exchange for up to 378,286,693 New Ordinary Shares to be admitted to trading on AIM. It is expected that Admission of the New Ordinary Shares will occur at 8.00 a.m. on 23 May 2018.

#### **Ron Series, Chairman of DX, said:**

*"We are pleased to announce these proposals to strengthen DX's balance sheet and raise additional funds for the business. Once approved by shareholders, these initiatives will place the Company in a significantly improved position as we proceed with our turnaround plan."*

*"The new Board's objective is to set the business onto a sustainable path for profitable growth, and some six months on since our appointment, we are progressing steadily with our plans. We retain our strong conviction that we can unlock the latent strengths of the business, and set DX on the road to long-term profitable growth."*

#### **Enquiries:**

##### **DX (Group) plc**

[www.dxdelivery.com](http://www.dxdelivery.com)

Ronald Series, Executive Chairman

T: 020 3178 6378

Lloyd Dunn, Chief Executive Officer

David Mulligan, Chief Financial Officer

##### **finnCap (Nominated Advisor and Broker)**

T: 020 7220 0500

Matt Goode/Simon Hicks/Hannah Boros  
(Corporate Finance)

Andrew Burdis/Camille Gochez (Corporate  
Broking)

##### **KTZ Communications**

T: 020 3178 6378

Katie Tzouliadis/ Irene Bermont-Penn/Emma  
Pearson

The information communicated in this announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No. 596/2014.

Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as defined in the Circular.

### **Important Information**

*Neither the content of the Company's website (or any other website) nor any website accessible by hyperlinks on the Company's website (or any other website) is incorporated in, or forms part of, this announcement.*

*Any person receiving this announcement is advised to exercise caution in relation to the Placing. If in any doubt about any of the contents of this announcement or the action that you should take, independent professional advice should be obtained.*

*finnCap Ltd, which is authorised and regulated in the United Kingdom by the FCA, is acting as nominated adviser and broker to the Company in connection with the Placing and is not acting for any other persons in relation to the Placing. finnCap Ltd is retained by the Company in connection with the Placing and shall not be responsible to any other party for providing advice or taking any other action in relation to the Placing. Persons receiving this announcement should note that finnCap Ltd will not be responsible to anyone other than the Company for providing the protections afforded to clients of finnCap Ltd or for advising any other person on the arrangements described in this announcement. finnCap Ltd has not authorised the contents of, or any part of, this announcement and no liability whatsoever is accepted by finnCap Ltd nor does it make any representation or warranty, express or implied, for the accuracy of any information or opinion contained in this announcement or for the omission of any information. finnCap Ltd disclaims all and any responsibility or liability whether arising in tort, contract or otherwise which it might otherwise have in respect of this announcement. finnCap Ltd may, in accordance with applicable legal and regulatory provisions, engage in transactions in relation to the Ordinary Shares (including the Placing Shares) and/or related instruments for its own account for the purposes of hedging any underwriting exposure or otherwise. Except as required by applicable law or regulation, finnCap Ltd does not propose to make any public disclosure in relation to any such transactions.*

*This announcement does not constitute an offer to sell or an invitation to subscribe for, or solicitation of an offer to subscribe for or buy, Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation. In particular, this announcement must not be taken, transmitted, distributed or sent, directly or indirectly, in, or into, the United States of America, Canada, Australia, Japan or the Republic of South Africa or transmitted, distributed or sent to, or by, any national, resident or citizen of such countries. Accordingly, the Ordinary Shares may not, subject to certain exceptions, be offered or sold, directly or indirectly, in, or into, or credited to the stock account of any person in the United States of America, Canada, Australia, Japan or the Republic of South Africa or in any other country, territory or possession where to do so may contravene local securities laws or regulations. The Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) or under the securities legislation of any state of the United States of America, any province or territory of Canada, Australia, Japan or the Republic of South Africa and they may not be offered or sold, directly or indirectly, within the United States of America or Canada, Australia, Japan or the Republic of South Africa or to or for the account or benefit of any national, citizen or resident of the United States of America, Canada, Australia, Japan or the Republic of South Africa or to any US person (within the definition of Regulation S made under the US Securities Act 1933 (as amended)).*

### **Forward-looking statements**

*This announcement contains (or may contain) certain forward-looking statements with respect to the Company and certain of its goals and expectations relating to its future financial condition and performance which involve a number of risks and uncertainties. No forward-looking statement is a guarantee of future performance and actual results could differ materially from those contained in any forward-looking statements. All statements, other than statements of historical facts, contained in this announcement, including statements regarding the Group's future financial position, business strategy and plans, business model and approach and objectives of management for future operations, are forward-looking statements. Generally, the forward-looking statements in this announcement use words such as "aim", "anticipate", "target", "expect", "estimate", "plan", "goal", "believe", "will", "may", "could", "should", "future", "intend", "opportunity", "potential", "project", "seek" and other words having a similar meaning. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances, including, but not limited to, economic and business conditions, the effects of changes in interest rates and foreign exchange rates, changes in legislation, changes in consumer habits and other factors outside the control of the Company, that may cause actual results, performance or achievements to be materially different from any results, performance or achievements expressed or implied by such forward-looking statements. All forward-looking statements contained in this announcement are based upon information available to the Directors at the date of this announcement. The forward-looking statements in this announcement are based on the Directors' beliefs and assumptions and information only as of the date of this announcement, and the forward-looking events discussed in this announcement might not occur. Therefore, investors should not place any reliance on any forward-looking statements. Except as required by law or regulation, the Directors undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.*

*Investors are advised to read this announcement and, once available, the Circular, in their entirety for a further discussion of the factors that could affect the Company's or the Group's future performance and the industries in*

which they operate. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this announcement may not occur.

This summary should be read in conjunction with the full text of the announcement which follows.

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

|                                                                                         |                                  |
|-----------------------------------------------------------------------------------------|----------------------------------|
| Publication of the Circular                                                             | 3 May 2018                       |
| Latest time and date for receipt of Form of Proxy                                       | 9.00 a.m. on 18 May 2018         |
| Record Date                                                                             | Close of business on 18 May 2018 |
| General Meeting                                                                         | 9.00 a.m. on 22 May 2018         |
| Loan Note Settlement, Admission and commencement of dealings in the New Ordinary Shares | 8.00 a.m. on 23 May 2018         |
| Settlement of New Ordinary Shares in CREST                                              | 8.00 a.m. on 23 May 2018         |

**If any of the details contained in the timetable above should change, the revised times and dates will be notified by means of an announcement through a Regulatory Information Service.**

**Admission and commencement of dealings in the New Ordinary Shares is conditional upon, *inter alia*, the approval of certain Resolutions to be proposed at the General Meeting.**

**All references are to London time unless stated otherwise.**

## KEY STATISTICS

|                                                                                                       |                                         |
|-------------------------------------------------------------------------------------------------------|-----------------------------------------|
| Existing Issued Share Capital                                                                         | 200,525,500                             |
| Aggregate Nominal Value of Loan Notes                                                                 | £24.815 million                         |
| Issue price of the Cancellation Shares issued to Cancellation Loan Note Holders other than Lloyd Dunn | 7.41 pence                              |
| Issue price of the Cancellation Shares issued to Lloyd Dunn                                           | 8.5 pence to 12.0 pence                 |
| Fundraising Price for the Placing Shares and the Subscription Shares                                  | 8.5 pence                               |
| Number of Cancellation Shares to be issued                                                            | between 304,242,576 and 322,257,281     |
| Number of Placing Shares to be issued                                                                 | 48,647,060                              |
| Number of Subscription Shares to be issued                                                            | 7,382,352                               |
| Total number of New Ordinary Shares to be issued*                                                     | between 360,271,988 and 378,286,693     |
| Total number of Ordinary Shares in issue on Admission**                                               | between 560,797,488 and 578,812,193     |
| Market capitalisation on Admission at the Fundraising Price**                                         | between £47.7 million and £49.2 million |
| New Ordinary Shares as a percentage of the Enlarged Issued Share Capital**                            | up to 65.4%                             |

\* assuming completion of the Loan Note Settlement and the Fundraising

\*\* assuming completion of the Loan Note Settlement and the Fundraising and no other new Ordinary Shares being issued

### The following is inserted from the Circular

#### 1. Introduction

As outlined in the Company's interim results announcement for the six months ended 31 December 2017 dated 29 March 2018, the Board proposes to strengthen the balance sheet of the Company. The Board now intends to implement this proposal through two steps as follows:

- the Loan Note Settlement, which is the Cancellation of certain Loan Notes and, in the case of the Redemption Loan Note Holders, the Redemption of certain other Loan Notes, and
- the Fundraising to raise gross proceeds of approximately £4.76 million through a Placing to raise gross

proceeds of £4.135 million, and the Subscriptions by the Subscribers to raise approximately £0.627 million.

The Board believes it is in the long-term interests of the Company and Shareholders to strengthen the Company's balance sheet in order that the Company can continue to provide its customers with quality services and to compete for and attract new customers within both the public and private sectors.

### **Loan Note Settlement**

It is proposed that the Company will issue a minimum of 304,242,576 and a maximum of 322,257,281 Cancellation Shares to the Cancellation Loan Note Holders. The issue price per Cancellation Share issued to all of the Cancellation Loan Note Holders other than Lloyd Dunn shall be 7.41 pence per Cancellation Share, which was the closing mid-market price of an Ordinary Share on 28 March 2018 (being the date on which agreement in principle was reached between the Company and the Cancellation Loan Note Holders).

The issue price per Cancellation Share issued to Lloyd Dunn shall be the closing mid-market price of an Ordinary Share on the last dealing day prior to Admission (which dealing day is expected to be the date of the General Meeting on 22 May 2018), provided that the issue price per Cancellation Share issued to Lloyd Dunn shall not in any event be less than the Fundraising Price, and shall not exceed 12 pence per Cancellation Share.

The Cancellation is conditional upon, inter alia, the passing of Resolutions 1, 4 and 7 at the General Meeting, notice of which is set out at the end of the Circular.

Alongside the Cancellation, the Loan Notes held by the Redemption Loan Note Holders will be redeemed for £262,500 in cash pursuant to the Redemption in accordance with the terms of the Loan Notes (as amended by the Cancellation Deed). The Redemption Loan Note Holders, being Ronald Series, Paul Goodson and Russell Black, will direct the Company to apply the proceeds they are entitled to receive pursuant to the Redemption in paying up their Subscription Shares in full.

Following the Cancellation and the Redemption (which are together referred to in the Circular as the "Loan Note Settlement"), no Loan Notes will remain in issue, and the Company will owe no further amounts, nor be subject to any other obligations in connection with the Loan Notes, other than in respect of accrued interest (which will be paid in cash shortly after completion of the Loan Note Settlement).

### **Fundraising**

On 3 May 2018, DX announced that it had conditionally raised gross proceeds of approximately £4.135 million by the issue of 48,647,060 Placing Shares at the Fundraising Price. The Fundraising Price of 8.5 pence per Placing Share represents a discount of 11.45 per cent. to the closing mid-market price of an Ordinary Share of 9.6 pence on 2 May 2018, being the date immediately prior to the announcement of the Placing.

Alongside the Placing, the Company will issue 7,382,352 Subscription Shares to the Subscribers at the Fundraising Price to raise gross proceeds of approximately £0.627 million.

The Fundraising is expected to raise gross proceeds of approximately £4.8 million.

The issue of the Placing Shares and the Subscription Shares is conditional upon, inter alia, the passing of Resolutions 1, 2, 4, 5 and 7 at the General Meeting, notice of which is set out at the end of the Circular.

### **Rule 9 Waiver**

On Admission, when the Loan Note Settlement and the issue of New Ordinary Shares becomes effective, Gatemore will be interested in a total of 204,378,538 Ordinary Shares representing between 35.3 per cent. and 36.4 per cent. (depending on the number of Cancellation Shares issued to Lloyd Dunn) of the Company's Enlarged Issued Share Capital. Should only the Cancellation complete, Gatemore's subsequent shareholding would represent between 39.1 per cent. and 40.5 per cent. of the Enlarged Issued Share Capital. In the absence of a waiver of the obligations under Rule 9 of the Takeover Code, this would require Gatemore to make a general offer to Shareholders. The Panel has agreed to grant a waiver of such obligation provided the Waiver Resolution (Resolution 7) is approved at the General Meeting on a poll by Independent Shareholders.

The purpose of the Circular is as follows:

- to outline the reasons for, and to explain the terms of the Loan Note Settlement and the issue of the Cancellation Shares;
- to outline the reasons for, and to explain the terms of the Fundraising and the issue of the Placing Shares and the Subscription Shares;
- to explain why the Directors believe that the Loan Note Settlement and the Fundraising are in the best interests of the Company and its Shareholders as a whole;
- to provide further detail in relation to the Waiver Resolution and the implications for Shareholders of the obligations under Rule 9 of the Takeover Code being waived; and
- to recommend that Shareholders vote in favour of all of the Resolutions to be proposed at the forthcoming General Meeting to be held at 9.00 a.m. on 22 May 2018 at the office of finnCap, 60 New Broad Street, London EC2M 1JJ.

## **2. Background to and reasons for the Transaction**

DX was admitted to trading on AIM in February 2014 with a market capitalisation of approximately £200 million. Since then there has been a progressive deterioration in its performance, which the Board believes reflects the historic strategy and execution of that strategy by the previous board of directors. Results for the six months to 31

December 2017 reflected a further challenging period for DX. Ronald Series (Executive Chairman), Lloyd Dunn (Chief Executive Officer), Russell Black (Non-Executive Director) and Paul Goodson (Non-Executive Director) were appointed to the Board in October 2017. Ronald Series, Lloyd Dunn, Russell Black and Paul Goodson invested a total of £5.25 million in the Loan Notes at that time.

### **Turnaround Plan**

Following a detailed review of the Group's activities, the Board announced the Turnaround Plan alongside the Group's interim results announcement for the six months ended 31 December 2017 dated 29 March 2018.

The Turnaround Plan comprises a broad range of initiatives, including the following:

### **DX Freight Division**

DX Freight comprises the following three services:

|              |                                                                                                                                                                                                                                                                    |
|--------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| DX 1-Man     | a national and international, next-day delivery service, specialising in irregular dimensions and weight items ("IDW"). These items are generally unsuitable for fully automated conveyor systems. DX 1-Man also provides services for the regular parcels market; |
| DX 2-Man     | a home delivery service for large items, weighing up to 150kg; and                                                                                                                                                                                                 |
| DX Logistics | comprehensive logistics solutions, including warehouse management and operation of customer-liveried vehicles and uniformed personnel.                                                                                                                             |

The Board believes that the key issues with the DX Freight division are:

- a lack of accountability and responsibility at depot level;
- its pricing structure;
- operations and sales;
- inefficient networks and operating at volumes below operational capacity;
- DX 2-Man being part of the DX 1-Man operational structure, which the Board believes has led to operational inefficiencies; and
- inefficient management information systems.

To rectify the performance of DX Freight, the Board is undertaking the following measures:

- responsibility and accountability is being devolved to the depots for key performance drivers;
- management incentives will be introduced;
- a new sales and commercial policy has been introduced, supported by a new central commercial team, including:
  - a new competitive pricing policy; and
  - investment in the sales team;
- a review of measurement metrics (weighing and cubing) and the introduction of new policies;
- the regional structure is being reorganised, resulting in the number of management regions increasing from three to five:
  - operational improvements are being made at Willenhall hub and within the depot structure; and
  - review of trunking matrix and fleet configuration;
- the merger of DX 2-Man with Logistics; and
- planned investment in the Group's IT infrastructure.

### **DX Express Division**

DX Express comprises the following four services:

|             |                                                                                                                                                                          |
|-------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| DX Exchange | a private members B2B mail and parcel delivery network, of c. 4,000 exchanges across the UK and Ireland, operating primarily in the legal, financial and public sectors; |
| DX Secure   | a secure B2C delivery service with customers including HMPO, central government and major banks;                                                                         |
| DX Courier  | a next-day, fully tracked, B2B delivery service, primarily to branch networks, high streets, industrial areas and government premises; and                               |

DX Mail a low cost, second-class mail alternative, primarily operating in finance and insurance.

The Board believes the key issues with the DX Express division are:

- continuing volume decline in DX Exchange market, with ongoing revenues declining on a fixed cost network;

- a lack of leadership and accountability at service centres, including a lack of innovation and product offerings;
- weak sales structure and lack of commercial accountability;
- the service being operated as a combined network, which has had an impact on service and performance levels and an inefficient centralised trunking network; and
- legacy IT systems impacting on Group performance.

To improve the performance of DX Express, the Board is undertaking the following measures:

- devolving responsibility and accountability to the service centres;
- management incentives will be introduced;
- changing the regional management structure from three to four regions and reviewing the trunking matrix;
- restructuring the sales team, supported by a central commercial team and the new role of national sales director;
- to focus on DX Exchange to separate it from DX Secure and DX Courier;
- to merge the DX Secure and DX Courier networks onto one platform with a simplified pricing strategy and to develop new specialist markets for these business areas; and
- to investment in increased automation.

### ***Loan Note Settlement***

On 9 October 2017 the Company announced its intention to issue Loan Notes with conditional conversion rights to raise total gross proceeds of £24.0 million. These were duly issued in two tranches on 19 October 2017 for £16.3 million of Tranche 1 Loan Notes (approximately £17.115 million including the Additional Risk Fee), and on 21 December 2017 for £7.7 million of Tranche 2 Loan Notes. The Loan Notes were issued to enable repayment of the Company's then bank term loan, and to address the then working capital shortfall, capital expenditure and restructuring costs whilst the Company's business model was reviewed by the Board.

The Board believes that it is in the best long-term interests of the Company and its Shareholders to strengthen the Company's balance sheet via the Loan Note Settlement and the Fundraising, which is expected to provide a strong and stable capital structure for the implementation of the Turnaround Plan, and to save the Company the future interest payments of 8 per cent per annum. of the principal amount of the Loan Notes amounting to approximately £2 million per annum. The Board believes the commitment of the Loan Note Holders to support the Company in the Loan Note Settlement is a positive sign of their belief in the future of the business. The Board also believes a strengthened balance sheet will enable the Company to continue providing its customers with quality services, and to compete for, and attract, new customers within both the public and private sectors. On 22 December 2017 the Group agreed a new £25.0 million invoice discounting facility through to 19 December 2019, further supporting the balance sheet and Shareholder value as a whole.

### **3. The Loan Note Instrument**

The subscribers of the Tranche 1 Loan Notes were GCM Partners II (on behalf of Gatemore) and the Participating Directors. Tranche 2 Loan Notes were issued principally to Hargreave Hale acting as investment manager for Marlborough Special Situations Fund ("Hargreave Hale"). The Tranche 1 and Tranche 2 Loan Notes have a maturity date of 19 October 2020 and accrue interest at 8 per cent. per annum from date of issue, payable annually in arrears. In addition the Tranche 1 Loan Note Holders (being Gatemore and the Participating Directors) were entitled to the Additional Risk Fee, which has been added to the principal of the Tranche 1 Loan Notes, resulting in a total aggregate Tranche 1 Loan Note principal of £17.115 million.

The Additional Risk Fee reflects the additional risk which the Tranche 1 Loan Note Holders were exposed to at the time of their subscription for the Tranche 1 Loan Notes, arising due to the fact that the Loan Note Instrument was entered into before the Loan Note security arrangements had been implemented. All of the Loan Notes are convertible into Ordinary Shares, at the election of the subscribers to the Loan Notes up to the maturity date, at a price of 10 pence per Ordinary Share.

The Loan Note Holders and their entitlements are as follows:

| <b><i>Tranche</i></b> | <b><i>Loan Note Holder</i></b> | <b><i>Loan Note principal value (£)</i></b> | <b><i>New Ordinary Shares issued pursuant to the Cancellation</i></b> |
|-----------------------|--------------------------------|---------------------------------------------|-----------------------------------------------------------------------|
| 1                     | Gatemore†                      | 11,602,500                                  | 156,578,947                                                           |
| 1                     | Lloyd Dunn†                    | 5,250,000                                   | between 43,750,000 and 61,764,705                                     |
| 1                     | Ronald Series†                 | 105,000                                     | -                                                                     |
| 1                     | Paul Goodson†                  | 52,500                                      | -                                                                     |
| 1                     | Russell Black†                 | 105,000                                     | -                                                                     |
| 2                     | Hargreave Hale†                | 7,500,000                                   | 101,214,574                                                           |
| 2                     | Charles Skinner†               | 200,000                                     | 2,699,055                                                             |
| <b>TOTAL</b>          |                                | <b>24,815,000</b>                           | <b>between 304,242,576 and 322,257,281</b>                            |

†Denotes a Cancellation Loan Note Holder, whose Loan Notes will be cancelled pursuant to the Cancellation

‡Denotes a Redemption Loan Note Holder, whose Loan Notes will be redeemed for cash pursuant to the Redemption in accordance with the terms of the Loan Notes (as amended by the Cancellation Deed)

Pursuant to the Cancellation, the Board proposes to cancel:

- (i) the Tranche 1 Loan Notes held by the Cancellation Loan Note Holders (inclusive of the Additional Risk Fee); and
- (ii) the Tranche 2 Loan Notes held by the Cancellation Loan Note Holders, by issuing the Cancellation Shares.

The issue price per Cancellation Share issued to all of the Cancellation Loan Note Holders other than Lloyd Dunn shall be 7.41 pence per Cancellation Share, which was the closing mid-market price of an Ordinary Share on 28 March 2018 (being the last Business Day immediately prior to the announcement on 29 March 2018 of the Company's results for the six months ended 31 December 2017 and the date when the Cancellation Loan Note Holders and the Company agreed in principle to the Cancellation).

The issue price per Cancellation Share issued to Lloyd Dunn shall be the closing mid-market price of an Ordinary Share on the last dealing day prior to Admission (which dealing day is expected to be the date of the General Meeting on 22 May 2018), provided that the issue price per Cancellation Share issued to Lloyd Dunn shall not in any event be less than 8.5 pence, being the Fundraising Price, and shall not exceed 12 pence per Cancellation Share.

Pursuant to the Loan Note Settlement, accrued interest up until 22 May 2018 of £1,063,041 million will be paid to the Loan Note Holders in cash and there will be no payment made in lieu of forgone interest. Accordingly, as a consequence of the Loan Note Settlement, the Company will not be liable to pay approximately £2.0 million per annum of interest payments that would otherwise be due if the Loan Note Settlement were not to proceed.

Following the Loan Note Settlement and payment of the accrued interest, no Loan Notes will remain in issue, and the Company will owe no further amounts, nor be subject to any other obligations in connection with, the Loan Notes.

#### **4. The Fundraising**

As detailed above, the Board has formulated the Turnaround Plan to address the Group's underperformance, in particular its loss-making Freight division, volume decline within the Group's Exchange business and poorly allocated investment in IT systems and estate. In formulating the Turnaround Plan the Board has identified a need for additional funding, which will assist it in achieving its objectives to improve the Group's performance and return it to sustainable, profitable growth within its current, planned timeframes. Further details of the Turnaround Plan are contained in the Company's interim results announcement for the six months ended 31 December 2017 dated 29 March 2018.

The net proceeds of the Fundraising, alongside the Company's existing resources, will inter alia, provide capital for the Group to:

- expand its sales capabilities;
- open new depots and so improve the efficiency of the Group's networks;
- improve IT systems;
- separate the DX Express networks;
- assist with working capital requirements; and
- redeem £262,500 of the Loan Notes, the proceeds of which certain Directors will direct the Company to apply in paying up their Subscription Shares in full.

The Fundraising Price of 8.5 pence per Placing Share and Subscription Share represents a discount of approximately 11.45 per cent. to the closing price of an Ordinary Share of 9.6 pence on 2 May 2018 (being the latest practicable date prior to the announcement of the Transaction).

In setting the Fundraising Price, the Directors have considered the price at which new Ordinary Shares need to be offered to investors to ensure the success of the Fundraising and have held discussions with a number of investors who have agreed to subscribe for the new Ordinary Shares at the Fundraising Price. In structuring the Fundraising, the Directors have had regard, inter alia, to the costs of alternative fundraising mechanisms and current market conditions and the level of the Company's share price. After considering these factors, the Directors have concluded that the Fundraising is the most suitable option available to the Company and its Shareholders.

Pursuant to the Fundraising, 48,647,060 Placing Shares have been conditionally placed with certain institutional and other investors, and 7,382,352 Subscription Shares have been conditionally subscribed for by the Subscribers, subject to, inter alia, the passing of Resolutions 1, 2, 4, 5 and 7 at the General Meeting.

The Subscribers are investing in the Subscription as follows:

| <b>Subscriber</b> | <b>Role</b>        | <b>Number of<br/>Subscription<br/>Shares</b> | <b>Value of<br/>Subscription<br/>Shares at the<br/>Fundraising</b> |
|-------------------|--------------------|----------------------------------------------|--------------------------------------------------------------------|
| Ronald Series     | Executive Chairman | 1,235,294 <sup>1</sup>                       | £104,999.99                                                        |



|                |                                 |                        |             |
|----------------|---------------------------------|------------------------|-------------|
| David Mulligan | Chief Financial Officer         | 2,352,941              | £199,999.99 |
| James Hayward  | Interim Chief Financial Officer | 388,233                | £149,999.98 |
| Paul Goodson   | Non-Executive Director          | 1,500,000 <sup>2</sup> | £127,500.00 |
| Russell Black  | Non-Executive Director          | 1,705,882 <sup>3</sup> | £144,999.97 |

<sup>1</sup> includes the investment of £104,999.99 due to Ronald Series from the Cancellation to subscribe for 1,235,294 Subscription Shares

<sup>2</sup> includes the investment of £52,500 due to Paul Goodson from the Cancellation to subscribe for 617,647 Subscription Shares

<sup>3</sup> includes the investment of £104,999.99 due to Russell Black from the Cancellation to subscribe for 1,235,294 Subscription Shares

The Placing is to be effected pursuant to the Placing Agreement. The Subscription is to be effected pursuant to subscription letters entered into with each of the Subscribers. Further details of both the Placing Agreement and the subscription letter which each Subscriber has entered into can be found in paragraph 5 of Part III of the Circular.

The Board is, as always, mindful that unexpected events, including operational outcomes or events outside the Board's control, may result in the proceeds of the Fundraising being deployed in a different manner to that set out above or on a different timescale to that currently envisaged.

## 5. City Code on Takeovers and Mergers

The Transaction gives rise to certain considerations under the Takeover Code. Brief details of the Panel, the Takeover Code and the protections they afford to Shareholders are described below.

The Takeover Code is issued and administered by the Panel. The Takeover Code applies to all takeover and merger transactions, however effected, where the offeree company is, inter alia, a centrally controlled and managed public company resident in the United Kingdom (and to certain categories of private limited companies). The Company is a United Kingdom incorporated public company whose Ordinary Shares are admitted to trading on AIM, and its Shareholders are therefore entitled to the protections afforded by the Takeover Code.

Pursuant to Rule 9 of the Takeover Code, any person who acquires, whether by a series of transactions over a period of time or not, 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 (a "Rule 9 Offer").

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 Rule 9 Offer will normally be required if a further interest in shares is acquired by any such person or any person acting in concert with him.

A Rule 9 Offer must be in cash and at the highest price paid for any interest in shares of the Company by the person required to make the offer or any person acting in concert with him within the 12 months prior to the announcement of the offer.

The Company's largest Shareholder, Gatemore, is currently interested in 47,799,591 Ordinary Shares, representing approximately 23.8 per cent. of the voting rights in the Company. Gatemore also holds Loan Notes which are convertible into new Ordinary Shares.

The Loan Note Settlement, if completed, would lead to Gatemore acquiring interests in 156,578,947 Ordinary Shares in addition to their existing shareholding of 47,799,591 Ordinary Shares, such that they would be interested in a total of 204,378,538 Ordinary Shares representing between 35.3 and 36.4 per cent. of the Enlarged Issued Share Capital. Should only the Cancellation complete, Gatemore's subsequent shareholding would represent between 39.1 per cent. and 40.5 per cent. of the Enlarged Issued Share Capital, being in excess of 30 per cent. of the Enlarged Issued Share Capital. Accordingly, without a waiver the obligations under Rule 9 of the Takeover Code, Gatemore (and any party acting in concert with it) would be obliged to make a Rule 9 Offer.

The Company has therefore applied to the Panel for a waiver of Rule 9 of the Takeover Code in order to permit the Transaction to proceed without triggering an obligation on the part of Gatemore to make a Rule 9 Offer.

Further details on Gatemore are set out in paragraph 6 of Part III of the Circular.

## Dispensation from the requirement to make a general offer under the Takeover Code

Under Note 1 on the Notes on the Dispensations from Rule 9 of the Takeover Code, the Panel will normally waive the requirement for a Rule 9 Offer if, inter alia, the shareholders of the company who are independent of the person who would otherwise be required to make an offer, and any person acting in concert with him, pass a resolution approving such a waiver. The Panel has agreed to waive the obligation to make a Rule 9 Offer that would otherwise arise on Gatemore, as a result of the Transaction and subsequent issue of the New Ordinary Shares, subject to approval on a poll by the Independent Shareholders of Resolution 7 as set out in the Notice of GM.

Shareholders should note that, following the Transaction, Gatemore will not be entitled to increase its interest in the voting rights of the Company without incurring a further obligation to make a Rule 9 Offer (unless a further dispensation from this requirement has been obtained from the Panel in advance).

## 6. Gatemore's potential interest in Ordinary Shares following the Transaction

Assuming Gatemore makes no disposals of Ordinary Shares and the Company issues no further Ordinary Shares prior to the completion of the Transaction, Gatemore's total interest immediately following Admission would be

204,378,538 Ordinary Shares, representing between 35.3 and 36.4 per cent. of the Enlarged Issued Share Capital.

Completion of the Fundraising is conditional upon completion of the Cancellation but the Cancellation is not conditional upon completion of the Fundraising. Accordingly, should only the Cancellation complete, on the same assumptions as above, Gatemore's subsequent shareholding would be 204,378,538 Ordinary Shares, representing between 39.1 per cent. and 40.5 per cent. of the Enlarged Issued Share Capital.

#### ***The intentions of Gatemore***

Gatemore does not intend to make a general offer for the Company. Gatemore has confirmed to the Company that it is not proposing, following the increase in the percentage interest in Ordinary Shares as a result of the Transaction, to seek any change in the composition of the Board or to the general nature or any other aspect of the Group's business or strategy.

Gatemore has also confirmed it has no intention to make any changes in relation to:

- the future of the Group's businesses;
- any planned investment in research and development;
- the continued employment of the Group's employees and management, including any material change in conditions of employment or balance of skills and functions;
- the location of the Group's places of business, headquarters and headquarter functions;
- employer contributions into the Group's pension schemes, the accrual of benefits for existing members and the admission of new members;
- any redeployment of the fixed assets of the Group as a result of such proposals; and
- the maintenance of any existing trading facilities for the relevant securities of the Group.

The proposed participation by Gatemore in the Transaction is in the ordinary course of Gatemore's business and is not expected to have any material effect on its future business or any material financial impact.

### **7. Current Trading and Outlook**

The following text is extracted from the Group's interim statement, which was released on 29 March 2018.

"Results for the six months to 31 December 2017 reflected another challenging period for DX. The Group generated total revenues of £146.6 million (2016: £142.7 million) for the six months, with DX Freight contributing £67.4 million and DX Express £79.2 million. Group operating costs (excluding depreciation, amortisation and exceptional items) increased by £12.2 million or 8.8% to £151.0 million (2016: £138.8 million). The increase substantially related to costs within DX Logistics arising from higher revenues. Group earnings before interest, taxation, depreciation, amortisation and exceptional items ("EBITDA") was a £4.4 million loss (2016: earnings of £3.9 million), with DX Freight generating a loss of £10.9 million and DX Express contributing a profit of £7.5 million. Plc costs accounted for the balance of £1 million. The loss is mainly accounted for by volume attrition at DX Exchange, which has a largely fixed cost base, a reduction in volumes at DX Express, lower average prices at DX 1-Man and increased costs. Depreciation and amortisation (of developed software and acquired intangible assets) decreased by £0.5 million to £3.6 million against the comparative period (2016: £4.1 million). The Group's loss before tax and exceptional items was £9.0 million (2016: loss of £0.5 million). Exceptional items in the first half amounted to £5.1 million (2016: £28.8 million) and largely comprised the impairment of certain development assets, principally those relating to the merging of IT systems as part of the "OneDX" integration programme, which have been stopped or reworked, following the commencement of the turnaround. The loss from operating activities after exceptional items was £13.1 million against a loss of £29.0 million in the comparative period. This has resulted in equity, as shown in our balance sheet, of £2.1 million at the end of the period. Net debt excluding the Loan Notes stood at £2.1 million at 31 December 2017 (2016: £18.4 million); including the Loan Notes, net debt was £25.6 million (2016: £18.4 million)

"DX has a strong culture of customer service, and the Company has established highly attractive propositions in certain market segments, including in: secure delivery services, where it provides market-leading levels of security; 1-Man delivery operations for IDW; and in logistics, where DX is well-positioned for growth in the sector. These fundamental strengths will support the turnaround process.

"Trading conditions remain challenging, but the Group is already seeing encouraging signs that the turnaround plan is gaining traction. Net new business in February and March 2018 at DX Freight has been at a higher monthly level than at any point in the last 12 months. The Board expects the benefits of our turnaround initiatives to continue to build through the year and into 2019."

### **8. Impact of the Transaction on Recovery Awards and Restricted Share Awards**

On 21 December 2017, the Recovery Awards and the Restricted Share Awards were granted on the terms summarised for Shareholders in the appendix to the notice of meeting for the Company's general meeting on 15 December 2017.

The Transaction will have the following impact on the Recovery Awards and Restricted Share Awards:

- the absolute number of Ordinary Shares subject to the Recovery Awards and Restricted Share Awards will be increased to maintain the participants' relative percentage Restricted Share Award holdings (by reference to the percentage of the Existing Issued Share Capital which the Recovery Award Shares represented when they were granted on 21 December 2017); and
- the share price performance targets for the Recovery Awards will be amended so that the target for the maximum vesting is changed from 50.0 pence per Ordinary Share to 40.0 pence per Ordinary Share. The threshold share price vesting target of 12.5 pence per Ordinary Shares will not be amended.

The rationale for these amendments is as follows:

- the terms of the Recovery Awards and the Restricted Share Awards provided for the number of Ordinary

Shares under award to be increased to maintain the participants' percentage holdings of Recovery Award Shares in the event of a conversion of the Loan Notes. The issue of the Cancellation Shares in connection with the Loan Note Settlement is, in the opinion of the Remuneration Committee, sufficient to trigger this provision;

- the adjustment to the share price target for maximum vesting is being made to reflect the additional dilution resulting from the issue of the Cancellation Shares as opposed to the dilution originally envisaged from the conversion of the Loan Notes into Ordinary Shares. Whilst it was not envisaged to amend the share price targets for the Recovery Awards as a consequence of the conversion of the Loan Notes, the Remuneration Committee has concluded that the altered circumstances resulting from the Loan Note Settlement make an adjustment appropriate in order to appropriately incentivise key employees; and
- the changes to the share price targets have been made on the basis that a share price target of 40.0 pence per Ordinary Share is not materially less difficult to satisfy than the original target would have been in the event of conversion of the Loan Notes into Ordinary Shares rather than the proposed Loan Note Settlement.

In addition to the above, the number of Ordinary Shares subject to the Recovery Awards will also be adjusted to take into account the impact of the Fundraising.

Resolutions 3 and 6 confirm the Board's authority to issue sufficient Ordinary Shares at the maturity of the Recovery Awards and the Restricted Share Awards in respect of the above.

The total number of Shares over which all Recovery Awards (including compensatory awards in respect of the transfer of Employers' NICs) are granted will not exceed 15 per cent. of the issued share capital of the Company from time to time (and, as further diluted by the awards under the PSP).

## **9. General Meeting**

The Directors do not currently have authority to allot all of the New Ordinary Shares and, accordingly, the Board is seeking the approval of Shareholders to allot the New Ordinary Shares at the General Meeting. In addition, the Panel's waiver of Rule 9 of the Takeover Code has been granted subject to the Independent Shareholders approving the Waiver Resolution on a poll at the General Meeting.

A notice convening the General Meeting, which is to be held at 9.00 a.m. on 22 May 2018 at the office of finnCap, 60 New Broad Street, London EC2M 1JJ, is set out at the end of the Circular. At the General Meeting, the following Resolutions will be proposed:

- Resolution 1, which is conditional on the passing of Resolution 7 and is an ordinary resolution to authorise the Directors to allot relevant securities in connection with the Cancellation up to an aggregate nominal amount of £3,222,572.81, being equal to 322,257,281 new Ordinary Shares (i.e. the number of Cancellation Shares);
- Resolution 2, which is conditional on the passing of Resolution 1 and is an ordinary resolution to authorise the Directors to allot relevant securities in connection with the Fundraising up to an aggregate nominal amount of £560,294.12 being equal to 56,029,412 new Ordinary Shares (i.e. the number of Placing Shares and Subscription Shares);
- Resolution 3, which is conditional on the passing of Resolution 1 and is an ordinary resolution to authorise the Directors to allot relevant securities pursuant to the Recovery Awards and/or Restricted Share Awards up to a maximum aggregate nominal amount of £848,487.6, being equal to 8,484,876 new Ordinary Shares (i.e. the maximum number of new Ordinary Shares which would be capable of being issued pursuant to the Recovery Awards and/or Restricted Share Awards, assuming all of the New Ordinary Shares are issued pursuant to the Transaction);
- Resolution 4, which is conditional on the passing of Resolution 1 and is a special resolution to authorise the Directors to issue and allot up to 322,257,281 new Ordinary Shares pursuant to the Cancellation on a non-pre-emptive basis;
- Resolution 5, which is conditional on the passing of Resolution 2 and is a special resolution to authorise the Directors to issue and allot up to 56,029,412 new Ordinary Shares pursuant to the Fundraising on a non-pre-emptive basis;
- Resolution 6, which is conditional on the passing of Resolution 3 and is a special resolution to authorise the Directors to issue and allot up to 8,484,876 new Ordinary Shares pursuant to the Recovery Awards and/or Restricted Share Awards on a non-pre-emptive basis; and
- Resolution 7, which is an ordinary resolution to approve the Panel's waiver of Rule 9 of the Takeover Code. Resolution 7 will be taken on a poll of the Independent Shareholders only, and must be approved on a poll by the Independent Shareholders who together represent a simple majority of the issued Ordinary Shares held by the Independent Shareholders being voted (whether in person or by proxy) at the General Meeting.

The authorities to be granted pursuant to Resolutions 1, 2, 4 and 5 will expire on the date falling 12 months, and Resolutions 3 and 6 on the date falling 5 years from the date of the passing of the Resolutions (unless renewed, varied or revoked by the Company before or on that date) and would be in addition to the Directors' authorities to allot relevant securities and dis-apply statutory pre-emption rights granted at the Company's general meeting held on 8 December 2017.

For the avoidance of doubt, completion of the Fundraising is conditional upon completion of the Cancellation but the Cancellation is not conditional upon completion of the Fundraising.

## **10. Action to be taken**

A Form of Proxy for use in connection with the GM is also enclosed. Whether or not you intend to be present at the GM, you are asked to complete and return the Form of Proxy in accordance with the instructions thereon as soon as possible and, in any event, so that it is received not later than 48 hours before the time

of the GM. The completion and return of the Form of Proxy will not preclude you from attending the GM and voting in person if you so wish. Please return the Form of Proxy to Link Asset Services Limited, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF.

#### 11. Irrevocable Undertakings

The Company has received the following irrevocable undertakings from the following Directors to vote in favour of Resolutions 1, 2, 4 and 5 in respect of the following number of Ordinary Shares:

| <b>Name</b>   | <b>Aggregate number of Ordinary Shares voted in favour</b> | <b>% of Existing Issued Share Capital</b> |
|---------------|------------------------------------------------------------|-------------------------------------------|
| Ronald Series | 180,000                                                    | 0.09%                                     |
| Lloyd Dunn    | 2,020,000                                                  | 1.01%                                     |
| Russell Black | 225,000                                                    | 0.11%                                     |

The Company has received irrevocable undertakings from Ian Gray to vote in favour of Resolutions 1 to 7 inclusive in respect of 250,000 Ordinary Shares, representing 0.12 per cent. of the Existing Issued Share Capital.

Gatmore has irrevocably undertaken to vote in favour of Resolutions 1 to 6 inclusive in respect of Ordinary Shares in which they are interested, amounting to, in aggregate, 47,799,591 Ordinary Shares representing approximately 23.8 per cent. of the Existing Issued Share Capital.

Certain other Shareholders have irrevocably undertaken to vote in favour of the Resolutions in respect of Ordinary Shares in which they are interested, as follows:

#### 12. Related Party Transactions

- Gatmore is a substantial Shareholder in DX, holding approximately 23.8 per cent. of the voting rights of the Company and, as such, Gatmore is considered to be a related party of the Company as defined by the AIM Rules. The issue to Gatmore of 156,578,947 new Ordinary Shares pursuant to the Cancellation therefore constitutes a related party transaction pursuant to AIM Rule 13. The Independent Directors, having consulted with the Company's nominated adviser, finnCap, consider that the terms of the issuance to Gatmore of the 156,578,947 new Ordinary Shares pursuant to the Cancellation are fair and reasonable insofar as the Shareholders are concerned.
- Ronald Series, David Mulligan, Paul Goodson and Russell Black are Directors of the Company and as such are considered to be related parties of the Company as defined by the AIM Rules. Their participation in the Subscription therefore constitutes a related party transaction pursuant to AIM Rule 13. The Independent Director, having consulted with the Company's nominated adviser, finnCap, considers that the participation of Ronald Series, David Mulligan, Paul Goodson and Russell Black in the Subscription is fair and reasonable insofar as the Shareholders are concerned.
- Ronald Series, Lloyd Dunn, Paul Goodson and Russell Black are Directors of the Company and as such are considered to be related parties of the Company as defined by the AIM Rules. The issue of Cancellation Shares to Lloyd Dunn and the payment of cash to the Redemption Loan Note Holders, pursuant to the Redemption therefore constitute related party transactions pursuant to AIM Rule 13. The Independent Directors, having consulted with the Company's nominated adviser, finnCap, consider that the issue of the Cancellation Shares to Lloyd Dunn, and the Redemption of the Loan Notes held by the Redemption Loan Note Holders are fair and reasonable insofar as the Shareholders are concerned.

#### 13. Independence

As holders of Loan Notes, Ronald Series, Lloyd Dunn, Russell Black and Paul Goodson are interested in the Cancellation, and are therefore deemed not to be independent for the purposes of making a recommendation to Shareholders on Resolution 7 proposed in respect of the Cancellation. As such, Ronald Series, Lloyd Dunn, Russell Black and Paul Goodson will not be allowed to vote at the General Meeting on Resolution 7.

Gatmore, as a holder of Loan Notes and as the proposed beneficiary of the Waiver Resolution, will not be allowed to vote at the General Meeting on Resolution 7.

The Takeover Code requires the Independent Directors to obtain competent independent advice regarding the merits of the Transaction, which is subject to the Waiver Resolution, the controlling position which it will create and the effect which it will have on Shareholders generally. finnCap, as the Company's nominated adviser, and as a party independent of Gatmore, has provided advice to the Independent Directors in this regard and in so doing, has taken into account the Independent Directors' commercial assessments.

For the avoidance of doubt, there are no relationships between the Independent Director and Gatmore. Gatmore has no relationships (personal, financial and commercial), arrangements and/or understandings with any of the Shareholders or any person who is, or is presumed to be, acting in concert with any such Shareholder.

#### 14. Recommendation - Resolutions 1, 2, 4 and 5

The Directors are satisfied that the terms of the Loan Note Settlement and the Fundraising are fair and reasonable and are in the best interests of the Company and its Shareholders as a whole. Accordingly the Directors, having been so advised by finnCap, unanimously recommend that all Shareholders vote in favour of Resolutions 1, 2, 4 and 5 as they have irrevocably undertaken to do in respect of their holding of Ordinary Shares in the Company, representing approximately 1.33 per cent. of the Existing Issued Share Capital.

#### **15. Recommendation - Resolutions 3 and 6**

As current and/or future beneficiaries of the Recovery Awards and/or Restricted Share Awards, Ronald Series, Lloyd Dunn, Russell Black, Paul Goodson and David Mulligan are deemed not to be independent for the purposes of making a recommendation to Shareholders on Resolutions 3 and 6.

As a result the independent Director in respect of Resolutions 3 and 6 is Ian Gray, who, having been so advised by finnCap, is satisfied that Resolutions 3 and 6 are fair and reasonable and are in the best interests of the Company and its Shareholders as a whole. Accordingly Ian Gray recommends that Shareholders vote in favour of Resolutions 3 and 6 as he has irrevocably undertaken to do in respect of his holding of Ordinary Shares, representing approximately 0.125 per cent. of the Existing Issued Share Capital.

#### **16. Recommendation - Resolution 7**

As Loan Note Holders, Ronald Series, Lloyd Dunn, Russell Black and Paul Goodson are deemed not to be independent for the purposes of making a recommendation to Shareholders on Resolution 7. As a result the independent Directors in respect of Resolution 7 are David Mulligan and Ian Gray, who, having been so advised by finnCap, are satisfied that Resolution 7 is fair and reasonable and in the best interests of the Company and the Independent Shareholders as a whole. In so doing, finnCap has taken into account the Independent Directors' commercial assessments. Accordingly Ian Gray and David Mulligan recommend Independent Shareholders vote in favour of Resolution 7, as Ian Gray has irrevocably undertaken to do in respect of his holding of Ordinary Shares, representing approximately 0.125 per cent. of the Existing Issued Share Capital.

The Loan Note Settlement and the Fundraising are 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 by the Shareholders or the Independent Shareholders (as applicable), the Loan Note Settlement and the Fundraising will not proceed.

Yours faithfully

Ronald Series

**Executive Chairman**

### **Definitions**

|                                         |                                                                                                                                                                    |
|-----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>"Act"</b>                            | the Companies Act 2006                                                                                                                                             |
| <b>"acting in concert"</b>              | shall have the meaning ascribed thereto in the Takeover Code                                                                                                       |
| <b>"Additional Risk Fee"</b>            | the fee in the amount of 5 per cent. of the Tranche 1 amounts subscribed for by holders of the Tranche 1 Loan Notes, totalling £0.815 million                      |
| <b>"Admission"</b>                      | admission of the New Ordinary Shares to trading on AIM in accordance with the AIM Rules                                                                            |
| <b>"AIM"</b>                            | the AIM market operated by the London Stock Exchange                                                                                                               |
| <b>"AIM Rules"</b>                      | the AIM Rules for Companies published by the London Stock Exchange                                                                                                 |
| <b>"Business Day"</b>                   | a day (other than a Saturday, Sunday or public holiday) when banks in the City of London are open for business                                                     |
| <b>"Cancellation"</b>                   | the cancellation of the Loan Notes issued to the Cancellation Loan Note Holders                                                                                    |
| <b>"Cancellation Deed"</b>              | the Loan Note Deed of Release and Cancellation dated 3 May 2018 pursuant to which the Cancellation will be effected                                                |
| <b>"Cancellation Loan Note Holders"</b> | the Loan Note Holders other than the Redemption Loan Note Holders                                                                                                  |
| <b>"Cancellation Shares"</b>            | the minimum of 304,242,576 and maximum of 322,257,281 new Ordinary Shares to be issued to the Cancellation Loan Note Holders in consideration for the Cancellation |
| <b>"Circular"</b>                       | the Circular                                                                                                                                                       |
| <b>"Company" or "DX"</b>                | DX (Group) plc                                                                                                                                                     |
| <b>"Directors" or the "Board"</b>       | the Directors of the Company whose names are set out on page 9 of the Circular, each a <b>"Director"</b>                                                           |
| <b>"DTR"</b>                            | the FCA's Disclosure and Transparency Rules                                                                                                                        |
| <b>"Enlarged Issued Share Capital"</b>  | between 560,797,488 and 578,812,193 Ordinary Shares                                                                                                                |
| <b>"Existing Issued Share Capital"</b>  | 200,525,500 Ordinary Shares                                                                                                                                        |
| <b>"finnCap"</b>                        | finnCap Ltd, nominated adviser to the Company                                                                                                                      |
| <b>"Form of Proxy"</b>                  | the form of proxy accompanying the Circular for use at the GM                                                                                                      |
| <b>"FCA"</b>                            | the Financial Conduct Authority in its capacity as the competent authority for the purposes of Part VI of the Financial Services                                   |

|                                |                                                                                                                                                                                                                                            |
|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| "Fundraising"                  | and Markets Act 2000 (as amended from time to time)                                                                                                                                                                                        |
| "Fundraising Price"            | together, the Placing and the Subscription                                                                                                                                                                                                 |
| "Gatemoore"                    | 8.5 pence per Placing Share                                                                                                                                                                                                                |
| "Gatemoore LLC"                | Gatemoore Capital Management LLP, a company registered in the United Kingdom with company number OC346366                                                                                                                                  |
| "GCM Partners II"              | Gatemoore Capital Management LLC, a limited liability company registered in the United States of America                                                                                                                                   |
| "GM" or "General Meeting"      | GCM Partners II LP, a special purpose vehicle domiciled in Guernsey, managed by Gatemoore                                                                                                                                                  |
| "Group"                        | the general meeting of the Company convened for 9.00 a.m. at the office of finnCap, 60 New Broad Street, London EC2M 1JJ on 22 May 2018 by the Notice of GM and any adjournment thereof                                                    |
| "Independent Director"         | the Company and its subsidiaries                                                                                                                                                                                                           |
| "Independent Shareholders"     | means Ian Gray for the purposes of Resolutions 3 and 6, and Ian Gray and David Mulligan for the purposes of Resolution 7 and references to <b>"Independent Director"</b> and <b>"Independent Directors"</b> shall be construed accordingly |
| "Link Asset Services"          | Shareholders of the Company other than Gatemoore, Ronald Series, Lloyd Dunn, Russell Black and Paul Goodson                                                                                                                                |
| "Loan Notes"                   | a trading name of Link Asset Services Limited, Registrars to the Company                                                                                                                                                                   |
| "Loan Note Holders"            | together, the Tranche 1 Loan Notes and the Tranche 2 Loan Notes, which carry a coupon of 8 per cent. per annum and are convertible into Ordinary Shares at a price of 10.0 pence per Ordinary Share                                        |
| "Loan Note Instrument"         | Gatemoore, Hargreave Hale, Lloyd Dunn, Ronald Series, Russell Black, Paul Goodson and Charles Skinner                                                                                                                                      |
| "Loan Note Settlement"         | the Company's Loan Note instrument dated 19 October 2017                                                                                                                                                                                   |
| "London Stock Exchange"        | together, the Cancellation and the Redemption                                                                                                                                                                                              |
| "New Ordinary Shares"          | London Stock Exchange plc                                                                                                                                                                                                                  |
| "Notice of GM"                 | together, the Cancellation Shares, the Placing Shares and the Subscription Shares                                                                                                                                                          |
| "Ordinary Shares"              | the notice of the GM set out at the end of the Circular                                                                                                                                                                                    |
| "Panel"                        | ordinary shares of £0.01 each in the capital of the Company                                                                                                                                                                                |
| "Participating Directors"      | the Panel on Takeovers and Mergers                                                                                                                                                                                                         |
| "Performance Share Plan"       | Ronald Series, Lloyd Dunn, Russell Black and Paul Goodson (together the "Participating Directors"), who subscribed for £5.25 million of Tranche 1 Loan Notes on 19 October 2017                                                            |
| "Placees"                      | the share incentive plan established in December 2017 under which awards of Ordinary Shares, the vesting of which is subject to performance conditions, can be made to selected employees of the Company                                   |
| "Placing"                      | the placees subscribing for Placing Shares pursuant to the Placing                                                                                                                                                                         |
| "Placing Agreement"            | the proposed placing of the Placing Shares by finnCap, as sole broker and agent for the Company                                                                                                                                            |
| "Placing Shares"               | the conditional placing agreement dated 3 May 2018 between finnCap and the Company, details of which are set out in paragraph 5 of Part III of the Circular                                                                                |
| "Recovery Award"               | the 48,647,060 new Ordinary Shares to be allotted on the terms of the Placing Agreement                                                                                                                                                    |
| "Recovery Award Shares"        | the initial award made to Ronald Series and Lloyd Dunn pursuant to the Performance Share Plan to provide an incentive to deliver the Turnaround Plan                                                                                       |
| "Redemption"                   | the shares allotted pursuant to the Recovery Award subject to a share price performance measure                                                                                                                                            |
| "Redemption Loan Note Holders" | the redemption of the Loan Notes issued to the Redemption Loan Note Holders                                                                                                                                                                |
| "Remuneration Committee"       | Ronald Series, Russell Black and Paul Goodson                                                                                                                                                                                              |
| "Resolutions"                  | the Company's remuneration committee, consisting of Paul Goodson and Russell Black                                                                                                                                                         |
| "Restricted Share Award"       | the resolutions set out in the Notice of GM, each a <b>"Resolution"</b>                                                                                                                                                                    |
| "Shareholders"                 | the nominal cost share awards made to Paul Goodson and Russell Black on 21 December 2017 with an exercise price of 1 pence per share                                                                                                       |
| "Subscribers"                  | holders of Ordinary Shares                                                                                                                                                                                                                 |
|                                | Ronald Series, Russell Black, Paul Goodson, David Mulligan and                                                                                                                                                                             |



|                                 |                                                                                                                                                                                                                           |
|---------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>"Subscription"</b>           | James Hayward                                                                                                                                                                                                             |
| <b>"Subscription Shares"</b>    | the subscription by the Subscribers for Subscription Shares at the Fundraising Price                                                                                                                                      |
| <b>"Takeover Code"</b>          | the 7,382,352 new Ordinary Shares to be allotted in connection with the Subscription                                                                                                                                      |
| <b>"Tranche 1 Loan Notes"</b>   | the City Code on Takeovers and Mergers                                                                                                                                                                                    |
| <b>"Tranche 2 Loan Notes"</b>   | the £16.3 million of loan notes issued under the Loan Note Instrument on 19 October 2017, together with the Additional Risk Fee of £0.815 million, in total £17.115 million                                               |
| <b>"Transaction"</b>            | the £7.7 million of loan notes issued under the Loan Note Instrument on 21 December 2017                                                                                                                                  |
| <b>"Turnaround Plan"</b>        | together, the Loan Note Settlement and the Fundraising the Board's future strategy for the Group, as outlined in the Company's interim results announcement for the six months ended 31 December 2017 dated 29 March 2018 |
| <b>"United Kingdom" or "UK"</b> | the United Kingdom of Great Britain and Northern Ireland                                                                                                                                                                  |
| <b>"Waiver"</b>                 | the waiver by the Panel of any requirement under Rule 9 of the Takeover Code for Gatemore to make a general offer to Shareholders that would otherwise arise as a result of the Transaction                               |
| <b>"Waiver Resolution"</b>      | the ordinary resolution to approve the Waiver, which is set out at Resolution 7 of the Notice of GM and is required to be passed on a poll at the GM by a simple majority of Independent Shareholders                     |

#### **APPENDIX - TERMS AND CONDITIONS OF THE PLACING**

IMPORTANT INFORMATION FOR INVITED PLACEEES ONLY REGARDING THE PLACING.

MEMBERS OF THE PUBLIC ARE NOT ELIGIBLE TO TAKE PART IN THE PLACING. THIS ANNOUNCEMENT (INCLUDING THIS APPENDIX) AND THE TERMS AND CONDITIONS SET OUT HEREIN (TOGETHER, THIS **"ANNOUNCEMENT"**) ARE DIRECTED ONLY AT PERSONS WHOSE ORDINARY ACTIVITIES INVOLVE THEM IN ACQUIRING, HOLDING, MANAGING AND DISPOSING OF INVESTMENTS (AS PRINCIPAL OR AGENT) FOR THE PURPOSES OF THEIR BUSINESS AND WHO HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS AND ARE: (1) IF IN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA (**"EEA"**), QUALIFIED INVESTORS AS DEFINED IN ARTICLE 2(1) (e) OF DIRECTIVE 2003/71/EC AS AMENDED, INCLUDING BY THE 2010 PROSPECTUS DIRECTIVE AMENDING DIRECTIVE (DIRECTIVE 2010/73/EC) AND TO THE EXTENT IMPLEMENTED IN THE RELEVANT MEMBER STATE (THE **"PROSPECTUS DIRECTIVE"**); (2) IF IN THE UNITED KINGDOM, QUALIFIED INVESTORS WHO (A) FALL WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, AS AMENDED (THE **"ORDER"**) (INVESTMENT PROFESSIONALS) OR (B) FALL WITHIN ARTICLE 49(2)(a) TO (d) (HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS, ETC.) OF THE ORDER (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS **"RELEVANT PERSONS"**).

THIS ANNOUNCEMENT AND THE INFORMATION IN IT MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. PERSONS DISTRIBUTING THIS ANNOUNCEMENT MUST SATISFY THEMSELVES THAT IT IS LAWFUL TO DO SO. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS ANNOUNCEMENT RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. THIS ANNOUNCEMENT DOES NOT ITSELF CONSTITUTE AN OFFER FOR SALE OR SUBSCRIPTION OF ANY SECURITIES IN DX (GROUP) PLC (THE **"COMPANY"**).

THE PLACING SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE **"SECURITIES ACT"**) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR JURISDICTION OF THE UNITED STATES, AND MAY NOT BE OFFERED, SOLD OR TRANSFERRED, DIRECTLY OR INDIRECTLY, IN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN COMPLIANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE PLACING SHARES ARE BEING OFFERED AND SOLD ONLY OUTSIDE THE UNITED STATES IN **"OFFSHORE TRANSACTIONS"** WITHIN THE MEANING OF, AND IN ACCORDANCE WITH, REGULATION S UNDER THE SECURITIES ACT AND OTHERWISE IN ACCORDANCE WITH APPLICABLE LAWS. NO PUBLIC OFFERING OF THE PLACING SHARES IS BEING MADE IN THE UNITED STATES OR ELSEWHERE.

THIS ANNOUNCEMENT (INCLUDING THIS APPENDIX) AND THE INFORMATION CONTAINED HEREIN IS RESTRICTED AND IS NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, IN WHOLE OR IN PART, DIRECTLY OR INDIRECTLY, IN OR INTO OR FROM THE UNITED STATES, AUSTRALIA, CANADA, JAPAN, THE REPUBLIC OF SOUTH AFRICA OR ANY OTHER JURISDICTION IN WHICH SUCH RELEASE, PUBLICATION OR DISTRIBUTION WOULD BE UNLAWFUL.

The distribution of this Announcement and/or the Placing and/or issue of the Placing Shares in certain jurisdictions may be restricted by law. No action has been taken by the Company, finnCap or any of their respective affiliates, agents, directors, officers or employees that would permit an offer of the Placing Shares or possession or distribution of this Announcement or any other offering or publicity material relating to such Placing Shares in

any jurisdiction where action for that purpose is required. Persons into whose possession this Announcement comes are required by the Company and finnCap to inform themselves about and to observe any such restrictions.

This Announcement or any part of it does not constitute or form part of any offer to issue or sell, or the solicitation of an offer to acquire, purchase or subscribe for, any securities in the United States (including its territories and possessions, any state of the United States and the District of Columbia), Australia, Canada, Japan or the Republic of South Africa or any other jurisdiction in which the same would be unlawful. No public offering of the Placing Shares is being made in any such jurisdiction.

All offers of the Placing Shares will be made pursuant to an exemption under the Prospectus Directive from the requirement to produce a prospectus. In the United Kingdom, this Announcement is being directed solely at persons in circumstances in which section 21(1) of the Financial Services and Markets Act 2000 (as amended) (the "**FSMA**") does not apply.

The Placing Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission or other regulatory authority in the United States, nor have any of the foregoing authorities passed upon or endorsed the merits of the Placing or the accuracy or adequacy of this Announcement. Any representation to the contrary is a criminal offence in the United States. The relevant clearances have not been, nor will they be, obtained from the securities commission of any province or territory of Canada, no prospectus has been lodged with, or registered by, the Australian Securities and Investments Commission or the Japanese Ministry of Finance; the relevant clearances have not been, and will not be, obtained for the South Africa Reserve Bank or any other applicable body in the Republic of South Africa in relation to the Placing Shares and the Placing Shares have not been, nor will they be, registered under or offering in compliance with the securities laws of any state, province or territory of Australia, Canada, Japan or the Republic of South Africa. Accordingly, the Placing Shares may not (unless an exemption under the relevant securities laws is applicable) be offered, sold, resold or delivered, directly or indirectly, in or into Australia, Canada, Japan or the Republic of South Africa or any other jurisdiction outside the United Kingdom.

Persons (including, without limitation, nominees and trustees) who have a contractual right or other legal obligations to forward a copy of this Announcement should seek appropriate advice before taking any action.

This Announcement should be read in its entirety. In particular, you should read and understand the information provided in the "**Important Notices**" section of this Announcement.

By participating in the Placing, each Placee will be deemed to have read and understood this Announcement in its entirety, to be participating, making an offer and acquiring Placing Shares on the terms and conditions contained herein and to be providing the representations, warranties, indemnities, acknowledgements and undertakings contained in this Announcement.

In particular, each such Placee represents, warrants, undertakes, agrees and acknowledges (amongst other things) that:

1. it is a Relevant Person and undertakes that it will acquire, hold, manage or dispose of any Placing Shares that are allocated to it for the purposes of its business; and
2. in the case of a Relevant Person in a member state of the EEA which has implemented the Prospectus Directive (each, a "**Relevant Member State**") who acquires any Placing Shares pursuant to the Placing:
  - (a) it is a Qualified Investor within the meaning of Article 2(1)(e) of the Prospectus Directive; and
  - (b) in the case of any Placing Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive:
    - (i) ***the Placing Shares acquired by it in the Placing have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than Qualified Investors or in circumstances in which the prior consent of finnCap has been given to the offer or resale; or***
    - (ii) ***where Placing Shares have been acquired by it on behalf of persons in any Relevant Member State other than Qualified Investors, the offer of those Placing Shares to it is not treated under the Prospectus Directive as having been made to such persons; and***
3. it is acquiring the Placing Shares for its own account or is acquiring the Placing Shares for an account with respect to which it exercises sole investment discretion and has the authority to make and does make the representations, warranties, indemnities, acknowledgements, undertakings and agreements contained in this Announcement; and
4. it understands (or if acting for the account of another person, such person has confirmed that such person understands) the resale and transfer restrictions set out in this Appendix; and
5. except as otherwise permitted by the Company and subject to any available exemptions from applicable



securities laws, it (and any account referred to in paragraph 3 above) is outside the United States and is acquiring the Placing Shares in offshore transactions as defined in and in accordance with Regulation S under the Securities Act.

#### **No prospectus**

The Placing Shares are being offered to a limited number of specifically invited persons only and will not be offered in such a way as to require any prospectus or other offering document to be published. No prospectus or other offering document has been or will be submitted to be approved by the FCA in relation to the Placing or the Placing Shares and Placees' commitments will be made solely on the basis of the information contained in this Announcement and any information publicly announced through a Regulatory Information Service (as defined in the AIM Rules for Companies (the "**AIM Rules**")) by or on behalf of the Company on or prior to the date of this Announcement (the "**Publicly Available Information**") and subject to any further terms set forth in the contract note to be sent to individual Placees.

Each Placee, by participating in the Placing, agrees that the content of this Announcement is exclusively the responsibility of the Company and confirms that it has neither received nor relied on any information (other than the Publicly Available Information), representation, warranty or statement made by or on behalf of finnCap or the Company or any other person and none of finnCap, the Company nor any other person acting on such person's behalf nor any of their respective affiliates has or shall have any liability for any Placee's decision to participate in the Placing based on any other information, representation, warranty or statement. Each Placee acknowledges and agrees that it has relied on its own investigation of the business, financial or other position of the Company in accepting a participation in the Placing. No Placee should consider any information in the Publicly Available Information to be legal, tax or business advice. Nothing in this paragraph shall exclude the liability of any person for fraudulent misrepresentation.

#### **Details of the Placing Agreement and the Placing Shares**

finnCap has today entered into a placing agreement (the "**Placing Agreement**") with the Company under which, on the terms and subject to the conditions set out in the Placing Agreement, finnCap, as agent for and on behalf of the Company, has agreed to use its reasonable endeavors to procure Placees for the Placing Shares.

The Placing Shares will, when issued, be subject to the articles of association of the Company and credited as fully paid and will rank *pari passu* in all respects with the issued ordinary shares of one penny each in the capital of the Company, including the right to receive all dividends and other distributions declared, made or paid in respect of such Ordinary Shares after the date of issue of the Placing Shares.

#### **Application for admission to trading**

Application will be made to the London Stock Exchange for admission of the Placing Shares to trading on AIM.

It is expected that Admission will take place on or before 8.00 a.m. on 23 May 2018 and that dealings in the Placing Shares on AIM will commence at the same time.

Principal terms of the Placing:

1. finnCap is acting as agent to the Company in connection with the Placing.
2. Participation in the Placing will only be available to persons who may lawfully be, and are, invited by finnCap to participate. finnCap and any of its affiliates are entitled to participate in the Placing as principal.
3. The price per Placing Share (the "**Placing Price**") is fixed at 8.5 pence and is payable to finnCap (as agent for the Company) by all Placees.
4. Each Placee's allocation of Placing Shares will be determined by finnCap in its discretion following consultation with the Company and will be confirmed orally by finnCap.
5. Each Placee's allocation and commitment will be evidenced by a contract note issued to such Placee by finnCap. The terms of this Appendix will be deemed incorporated in that contract note.
6. Each Placee's allocation and commitment to subscribe for Placing Shares will be made on the terms and subject to the conditions in this Appendix and will be legally binding on the Placee on behalf of which it is made and except with finnCap's consent will not be capable of variation or revocation after the time at which it is submitted. Each Placee will have an immediate, separate, irrevocable and binding obligation, owed to finnCap (as agent for the Company), to pay to it (or as it may direct) in cleared funds an amount equal to the product of the Placing Price and the number of Placing Shares such Placee has agreed to acquire and the Company has agreed to allot and issue to that Placee.
7. Except as required by law or regulation, no press release or other announcement will be made by

finnCap or the Company using the name of any Placee (or its agent), in its capacity as Placee (or agent), other than with such Placee's prior written consent.

8. Irrespective of the time at which a Placee's allocation(s) pursuant to the Placing is/are confirmed, settlement for all Placing Shares to be acquired pursuant to the Placing will be required to be made at the same time, on the basis explained below under "*Registration and Settlement*".
9. All obligations under the Placing will be subject to fulfilment of the conditions referred to below under "*Conditions of the Placing*" and to the Placing not being terminated on the basis referred to below under "*Termination of the Placing*".
10. By participating in the Placing, each Placee will agree that its rights and obligations in respect of the Placing will terminate only in the circumstances described below and will not be capable of rescission or termination by the Placee.
11. To the fullest extent permissible by law and applicable FCA rules, neither:
  - (a) finnCap;
  - (b) any of its affiliates, agents, directors, officers, consultants or employees; nor
  - (c) to the extent not contained within (a) or (b), any person connected with finnCap as defined in the FSMA ((b) and (c) being together "**affiliates**" and individually an "**affiliate**" of finnCap);

shall have any liability (including to the extent permissible by law, any fiduciary duties) to Placees or to any other person whether acting on behalf of a Placee or otherwise. In particular, neither finnCap nor any of its affiliates shall have any liability (including, to the extent permissible by law, any fiduciary duties) in respect of finnCap's conduct of the Placing or of such alternative method of effecting the Placing as finnCap and the Company may agree.

#### **Registration and settlement**

If Placees are allocated any Placing Shares in the Placing they will be sent a contract note or electronic confirmation which will confirm the number of Placing Shares allocated to them, the Placing Price and the aggregate amount owed by them to finnCap.

Each Placee will be deemed to agree that it will do all things necessary to ensure that delivery and payment is completed as directed by finnCap in accordance with either the standing CREST or certificated settlement instructions which they have in place with finnCap.

Settlement of transactions in the Placing Shares (ISIN: GB00BJTCG679) following Admission will take place within the CREST system, subject to certain exceptions. Settlement through CREST will be on a T+2 basis unless otherwise notified by finnCap and is expected to occur on 23 May 2018 (the "**Settlement Date**") in accordance with the contract notes. Settlement will be on a delivery versus payment basis. However, in the event of any difficulties or delays in the admission of the Placing Shares to CREST or the use of CREST in relation to the Placing, the Company and finnCap may agree that the Placing Shares should be issued in certificated form. finnCap reserves the right to require settlement for the Placing Shares, and to deliver the Placing Shares to Placees, by such other means as it deems necessary if delivery or settlement to Placees is not practicable within the CREST system or would not be consistent with regulatory requirements in a Placee's jurisdiction. If a Placee wishes to receive its Placing Shares in certificated form, it should contact Carly Cella at finnCap on 0207 220 0505 as soon as possible after receipt of its contract note.

Interest is chargeable daily on payments not received from Placees on the due date in accordance with the arrangements set out above, in respect of either CREST or certificated deliveries, at the rate of 2 percentage points above the prevailing base rate of Barclays Bank plc as determined by finnCap.

Each Placee is deemed to agree that if it does not comply with these obligations, finnCap may sell any or all of their Placing Shares on their behalf and retain from the proceeds, for finnCap's own account and benefit, an amount equal to the aggregate amount owed by the Placee plus any interest due. The relevant Placee will, however, remain liable for any shortfall below the Placing Price and for any stamp duty or stamp duty reserve tax (together with any interest or penalties) which may arise upon the sale of its Placing Shares on its behalf.

If Placing Shares are to be delivered to a custodian or immediately agent, Placees must ensure that, upon receipt, the conditional contract note is copied and delivered immediately to the relevant person within that organisation. Insofar as Placing Shares are registered in a Placee's name or that of its nominee or in the name of any person for whom a Placee is contracting as agent or that of a nominee for such person, such Placing Shares should, subject as provided below, be so registered free from any liability to United Kingdom stamp duty or stamp duty reserve tax. Placees will not be entitled to receive any fee or commission in connection with the Placing.

#### **Conditions of the Placing**

The obligations of finnCap under the Placing Agreement are, and the Placing is, conditional upon, *inter alia*:

- (a) the Company complying with its obligations under the Placing Agreement to the extent that they fall to be performed on or before Admission;
- (b) the due passing at the GM of the Resolutions as set out in the GM Notice;;
- (c) the Company having allotted, subject only to Admission, the Placing Shares in accordance with the Placing Agreement; and
- (d) Admission having become effective at or before 8.00 a.m. on 23 May 2018 or such later time as finnCap may agree with the Company (being not later than 5 June 2018),

(all conditions to the obligations of finnCap included in the Placing Agreement being together, the "**conditions**").

If any of the conditions set out in the Placing Agreement is not fulfilled or, where permitted, waived in accordance with the Placing Agreement within the stated time periods (or such later time and/or date as the Company and finnCap may agree), or the Placing Agreement is terminated in accordance with its terms, the Placing will lapse and the Placee's rights and obligations shall cease and terminate at such time and each Placee agrees that no

claim can be made by or on behalf of the Placee (or any person on whose behalf the Placee is acting) in respect thereof.

By participating in the Placing, each Placee agrees that its rights and obligations cease and terminate only in the circumstances described above and under "**Termination of the Placing**" below and will not be capable of rescission or termination by it.

finnCap may, in its absolute discretion and upon such terms as it thinks fit, waive fulfilment of all or any of the conditions in the Placing Agreement in whole or in part, or extend the time provided for fulfilment of one or more conditions. Any such extension or waiver will not affect Placees' commitments as set out in this Appendix.

finnCap may terminate the Placing Agreement in certain circumstances, details of which are set out below.

Neither finnCap nor any of its affiliates, agents, directors, officers or employees nor the Company shall have any liability to any Placee (or to any other person whether acting on behalf of a Placee or otherwise) in respect of any decision any of them may make as to whether or not to waive or to extend the time and/or date for the satisfaction of any condition to the Placing nor for any decision any of them may make as to the satisfaction of any condition or in respect of the Placing generally and by participating in the Placing each Placee agrees that any such decision is within the absolute discretion of finnCap.

### **Termination of the Placing**

finnCap may, in its absolute discretion, by notice to the Company, terminate the Placing Agreement at any time up to Admission if, *inter alia*:

- (a) the Company fails, in any material respect, to comply with any of its obligations under the Placing Agreement;
- (b) it comes to the notice of finnCap that any statement contained in this Announcement or any other document or announcement issued or published by or on behalf of the Company in connection with the Placing was or has become untrue, incorrect or misleading in any respect which finnCap (acting reasonably) considers to be material in the context of the Placing;
- (c) it comes to the notice of finnCap that any of the warranties was not true and accurate in any respect which finnCap (acting reasonably) considers to be material in the context of the Placing or a matter has arisen which is likely to give rise to a claim under any of the indemnities under the Placing Agreement which finnCap (acting reasonably) considers to be material in the context of the Placing;
- (d) any of the warranties given by the Company by reference to the circumstances prevailing from time to time has ceased to be true and accurate in any respect which finnCap (acting reasonably) considers to be material in the context of the Placing.

In addition, finnCap may, after having to the extent practicable in the circumstances consulted with the Company, by notice in writing to the Company prior to Admission terminate the Placing Agreement if there has been a *force majeure* event.

By participating in the Placing, each Placee agrees with the Company and finnCap that the exercise by the Company or finnCap of any right of termination or any other right or other discretion under the Placing Agreement shall be within the absolute discretion of the Company or finnCap or for agreement between the Company and finnCap (as the case may be) and that neither the Company nor finnCap need make any reference to such Placee and that none of the Company, finnCap nor any of their respective affiliates, agents, directors, officers or employees shall have any liability to such Placee (or to any other person whether acting on behalf of a Placee or otherwise) whatsoever in connection with any such exercise.

By participating in the Placing, each Placee agrees that its rights and obligations terminate only in the circumstances described above and under the "**Conditions of the Placing**" section above and will not be capable of rescission or termination by it after the issue by finnCap of a contract note confirming each Placee's allocation and commitment in the Placing.

### **Representations, warranties and further terms**

By participating in the Placing, each Placee (and any person acting on such Placee's behalf) represents, warrants, acknowledges and agrees (for itself and for any such prospective Placee) that (save where finnCap expressly agrees in writing to the contrary):

- 1. it has read and understood this Announcement in its entirety and that its acquisition of the Placing Shares is subject to and based upon all the terms, conditions, representations, warranties, indemnities, acknowledgements, agreements and undertakings and other information contained herein and that it has not relied on, and will not rely on, any information given or any representations, warranties or statements made at any time by any person in connection with Admission, the Placing, the Company, the Placing Shares or otherwise, other than the information contained in this Announcement and the Publicly Available Information;
- 2. it has not received a prospectus or other offering document in connection with the Placing and acknowledges that no prospectus or other offering document:
  - (a) is required under the Prospectus Directive; and
  - (b) has been or will be prepared in connection with the Placing;
- 3. the Ordinary Shares are admitted to trading on AIM, and that the Company is therefore required to publish certain business and financial information in accordance with the AIM Rules, which includes a description of the nature of the Company's business and the Company's most recent balance sheet and

profit and loss account and that it is able to obtain or access such information without undue difficulty, and is able to obtain access to such information or comparable information concerning any other publicly traded company, without undue difficulty;

4. it has made its own assessment of the Placing Shares and has relied on its own investigation of the business, financial or other position of the Company in accepting a participation in the Placing and neither finnCap nor the Company nor any of their respective affiliates, agents, directors, officers or employees nor any person acting on behalf of any of them has provided, and will not provide, it with any material regarding the Placing Shares or the Company or any other person other than the information in this Announcement or the Publicly Available Information; nor has it requested finnCap, the Company, any of their respective affiliates, agents, directors, employees or officers or any person acting on behalf of any of them to provide it with any such information;
5. neither finnCap nor any person acting on behalf of it nor any of its affiliates, agents, directors, officers or employees has or shall have any liability for any Publicly Available Information, or any representation relating to the Company, provided that nothing in this paragraph excludes the liability of any person for fraudulent misrepresentation made by that person;
6.
  - (a) the only information on which it is entitled to rely on and on which it has relied in committing to subscribe for the Placing Shares is contained in the Publicly Available Information, such information being all that it deems necessary to make an investment decision in respect of the Placing Shares and it has made its own assessment of the Company, the Placing Shares and the terms of the Placing based on the Publicly Available Information;
  - (b) neither finnCap, nor the Company (nor any of their respective affiliates, agents, directors, officers and employees) have made any representation or warranty to it, express or implied, with respect to the Company, the Placing or the Placing Shares or the accuracy, completeness or adequacy of the Publicly Available Information;
  - (c) it has conducted its own investigation of the Company, the Placing and the Placing Shares, satisfied itself that the information is still current and relied on that investigation for the purposes of its decision to participate in the Placing; and
  - (d) it has not relied on any investigation that finnCap or any person acting on its behalf may have conducted with respect to the Company, the Placing or the Placing Shares;
7. the content of this Announcement and the Publicly Available Information has been prepared by and is exclusively the responsibility of the Company and that neither finnCap nor any persons acting on its behalf is responsible for or has or shall have any liability for any information, representation, warranty or statement relating to the Company contained in this Announcement or the Publicly Available Information nor will they be liable for any Placee's decision to participate in the Placing based on any information, representation, warranty or statement contained in this Announcement, the Publicly Available Information or otherwise. Nothing in this Appendix shall exclude any liability of any person for fraudulent misrepresentation;
8. it is not, and at the time the Placing Shares are acquired will not be, a resident of Australia, Canada, the Republic of South Africa or Japan;
9. the Placing Shares have not been registered or otherwise qualified, and will not be registered or otherwise qualified, for offer and sale nor will a prospectus be cleared or approved in respect of any of the Placing Shares under the securities laws of the United States, or any state or other jurisdiction of the United States, Australia, Canada, the Republic of South Africa or Japan and, subject to certain exceptions, may not be offered, sold, taken up, renounced or delivered or transferred, directly or indirectly, within the United States, Australia, Canada, Japan or the Republic of South Africa or in any country or jurisdiction where any such action for that purpose is required;
10. it has the funds available to pay for the Placing Shares for which it has agreed to subscribe and acknowledges and agrees that it will pay the total subscription amount in accordance with the terms of this

Announcement on the due time and date set out herein, failing which the relevant Placing Shares may be placed with other Placees or sold at such price as finnCap determines;

11. it and/or each person on whose behalf it is participating:
  - (a) is entitled to acquire Placing Shares pursuant to the Placing under the laws and regulations of all relevant jurisdictions;
  - (b) has fully observed such laws and regulations;
  - (c) has capacity and authority and is entitled to enter into and perform its obligations as an acquirer of Placing Shares and will honour such obligations; and
  - (d) has obtained all necessary consents and authorities (including, without limitation, in the case of a person acting on behalf of a Placee, all necessary consents and authorities to agree to the terms set out or referred to in this Appendix) under those laws or otherwise and complied with all necessary formalities to enable it to enter into the transactions contemplated hereby and to perform its obligations in relation thereto and, in particular, if it is a pension fund or investment company it is aware of and acknowledges it is required to comply with all applicable laws and regulations with respect to its subscription for Placing Shares;
12. it is not, and any person who it is acting on behalf of is not, and at the time the Placing Shares are subscribed will not be, a resident of, or with an address in, or subject to the laws of, Australia, Canada, Japan or the Republic of South Africa, and it acknowledges and agrees that the Placing Shares have not been and will not be registered or otherwise qualified under the securities legislation of Australia, Canada, Japan or the Republic of South Africa and may not be offered, sold, or acquired, directly or indirectly, within those jurisdictions;
13. it and the beneficial owner of the Placing Shares is, and at the time the Placing Shares are acquired will be, outside the United States and acquiring the Placing Shares in an "**offshore transaction**" as defined in, and in accordance with, Regulation S under the Securities Act;
14. it understands that the Placing Shares have not been, and will not be, registered under the Securities Act and may not be offered, sold or resold in or into or from the United States except pursuant to an effective registration under the Securities Act, or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in accordance with applicable state securities laws; and no representation is being made as to the availability of any exemption under the Securities Act for the reoffer, resale, pledge or transfer of the Placing Shares;
15. it (and any account for which it is purchasing) is not acquiring the Placing Shares with a view to any offer, sale or distribution thereof within the meaning of the Securities Act;
16. it understands that:
  - (a) the Placing Shares are "**restricted securities**" within the meaning of Rule 144(a)(3) under the Securities Act;
  - (b) no representation is made as to the availability of the exemption provided by Rule 144 for resales of Placing Shares; and
  - (c) it will not deposit the Placing Shares in a depositary receipt programme in the United States or for US persons (as defined in the Securities Act);
17. it will not offer, sell, transfer, pledge or otherwise dispose of any Placing Shares except:
  - (a) in an offshore transaction in accordance with Rules 903 or 904 of Regulation S under the Securities Act; or
  - (b) pursuant to another exemption from registration under the Securities Act, if available,and in each case in accordance with all applicable securities laws of the states of the United States and other jurisdictions;
18. it understands that the Placing Shares are expected to be issued to it through CREST but may be issued to it in certificated, definitive form and acknowledges and agrees that the Placing Shares may, to the extent they are delivered in certificated form, bear a legend to the following effect unless agreed otherwise with the Company:

"THESE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR UNDER THE APPLICABLE SECURITIES LAWS OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (B) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (C) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND, IN EACH CASE, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE SHARES MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF SHARES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK. EACH HOLDER, BY ITS ACCEPTANCE OF THESE SHARES, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.";

19. it will not distribute, forward, transfer or otherwise transmit this Announcement or any part of it, or any other presentational or other materials concerning the Placing in or into or from the United States (including electronic copies thereof) to any person, and it has not distributed, forwarded, transferred or otherwise transmitted any such materials to any person;
20. none of finnCap, its affiliates and any person acting on behalf of any of them is making any recommendations to it or advising it regarding the suitability of any transactions it may enter into in connection with the Placing and that participation in the Placing is on the basis that it is not and will not be a client of finnCap and that finnCap has no duties or responsibilities to it for providing the protections afforded to its clients or for providing advice in relation to the Placing nor in respect of any representations, warranties, undertakings or indemnities contained in the Placing Agreement nor for the exercise or performance of any of its rights and obligations thereunder including any rights to waive or vary any conditions or exercise any termination right;
21. it will make payment to finnCap for the Placing Shares allocated to it in accordance with the terms and conditions of this Announcement on the due times and dates set out in this Announcement, failing which the relevant Placing Shares may be placed with others on such terms as finnCap determines in its absolute discretion without liability to the Placee and it will remain liable for any shortfall below the net proceeds of such sale and the placing proceeds of such Placing Shares and may be required to bear any stamp duty or stamp duty reserve tax (together with any interest or penalties due pursuant to the terms set out or referred to in this Announcement) which may arise upon the sale of such Placee's Placing Shares on its behalf;
22. its allocation (if any) of Placing Shares will represent a maximum number of Placing Shares which it will be entitled, and required, to subscribe for, and that the Company may call upon it to subscribe for a lower number of Placing Shares (if any), but in no event in aggregate more than the aforementioned maximum;
23. no action has been or will be taken by any of the Company, finnCap or any person acting on behalf of the Company or finnCap that would, or is intended to, permit a public offer of the Placing Shares in the United States or in any country or jurisdiction where any such action for that purpose is required;
24. the person who it specifies for registration as holder of the Placing Shares will be:
  - (a) the Placee; or
  - (b) a nominee of the Placee, as the case may be.
25. finnCap and the Company will not be responsible for any liability to stamp duty or stamp duty reserve tax resulting from a failure to observe this requirement. Each Placee and any person acting on behalf of such Placee agrees to acquire Placing Shares pursuant to the Placing and agrees to indemnify the Company and finnCap in respect of the same on the basis that the Placing Shares will be allotted to a CREST stock account of finnCap or transferred to a CREST stock account of finnCap who will hold them as nominee on behalf of the Placee until settlement in accordance with its standing settlement instructions with it;
26. the allocation, allotment, issue and delivery to it, or the person specified by it for registration as holder, of Placing Shares will not give rise to a stamp duty or stamp duty reserve tax liability under (or at a rate determined under) any of sections 67, 70, 93 or 96 of the Finance Act 1986 (depository receipts and clearance services) and that it is not participating in the Placing as nominee or agent for any person or persons to whom the allocation, allotment, issue or delivery of Placing Shares would give rise to such a

liability;

27. it and any person acting on its behalf (if within the United Kingdom) falls within Article 19(5) and/or 49(2) of the Order and undertakes that it will acquire, hold, manage and (if applicable) dispose of any Placing Shares that are allocated to it for the purposes of its business only;
28. it has not offered or sold and will not offer or sell any Placing Shares to persons in the United Kingdom or elsewhere in the EEA prior to the expiry of a period of six months from Admission except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business or otherwise in circumstances which have not resulted and which will not result in an offer to the public in the United Kingdom within the meaning of section 85(1) of the FSMA or an offer to the public in any other member state of the EEA within the meaning of the Prospectus Directive;
29. if it is within the EEA, it is a Qualified Investor as defined in section 86(7) of the FSMA, being a person falling within Article 2(1)(e) of the Prospectus Directive;
30. it has only communicated or caused to be communicated and it will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) relating to Placing Shares in circumstances in which section 21(1) of the FSMA does not require approval of the communication by an authorised person and it acknowledges and agrees that this Announcement has not been approved by finnCap in its capacity as an authorised person under section 21 of the FSMA and it may not therefore be subject to the controls which would apply if it was made or approved as financial promotion by an authorised person;
31. it has complied and it will comply with all applicable laws with respect to anything done by it or on its behalf in relation to the Placing Shares (including all relevant provisions of the FSMA in respect of anything done in, from or otherwise involving the United Kingdom);
32. it represents and warrants that, if it is a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive (including any relevant implementing measure in any member state), the Placing Shares acquired by it in the Placing will not be acquired on a non-discretionary basis on behalf of, nor will they be acquired with a view to their offer or resale to, persons in a member state of the EEA which has implemented the Prospectus Directive other than Qualified Investors, or in circumstances in which the express prior written consent of finnCap has been given to the offer or resale;
33. if it has received any confidential price sensitive information about the Company in advance of the Placing, it has not:
  - (a) dealt in the securities of the Company;
  - (b) encouraged or required another person to deal in the securities of the Company; or
  - (c) disclosed such information to any person, prior to the information being made publicly available;
34. neither finnCap, the Company nor any of their respective affiliates, agents, directors, officers or employees nor any person acting on behalf of finnCap or its affiliates, agents, directors, officers or employees is making any recommendations to it, advising it regarding the suitability of any transactions it may enter into in connection with the Placing nor providing advice in relation to the Placing nor in respect of any representations, warranties, acknowledgements, agreements, undertakings, or indemnities contained in the Placing Agreement nor the exercise or performance of any of finnCap's rights and obligations thereunder including any rights to waive or vary any conditions or exercise any termination right;
35. finnCap and its affiliates, acting as an investor for its or their own account(s), may bid or subscribe for and/or purchase Placing Shares and, in that capacity, may retain, purchase, offer to sell or otherwise deal for its or their own account(s) in the Placing Shares, any other securities of the Company or other related



investments in connection with the Placing or otherwise. Accordingly, references in this Announcement to the Placing Shares being offered, subscribed, acquired or otherwise dealt with should be read as including any offer to, or subscription, acquisition or dealing by, finnCap and/or any of its affiliates acting as an investor for its or their own account(s). Neither finnCap nor the Company intend to disclose the extent of any such investment or transaction otherwise than in accordance with any legal or regulatory obligation to do so;

36. it has complied with its obligations in connection with money laundering and terrorist financing under the Proceeds of Crime Act 2002, the Terrorism Act 2000, the Terrorism Act 2006 and the Money Laundering Regulations 2007 (together, the "**Regulations**") and, if making payment on behalf of a third party, that satisfactory evidence has been obtained and recorded by it to verify the identity of the third party as required by the Regulations;
37. in order to ensure compliance with the Regulations, finnCap (for itself and as agent on behalf of the Company) or the Company's registrars may, in their absolute discretion, require verification of its identity. Pending the provision to finnCap or the Company's registrars, as applicable, of evidence of identity, definitive certificates in respect of the Placing Shares may be retained at finnCap's absolute discretion or, where appropriate, delivery of the Placing Shares to it in uncertificated form may be delayed at finnCap's or the Company's registrars', as the case may be, absolute discretion. If within a reasonable time after a request for verification of identity finnCap (for itself and as agent on behalf of the Company) or the Company's registrars have not received evidence satisfactory to them, either finnCap and/or the Company may, at its absolute discretion, terminate its commitment in respect of the Placing, in which event the monies payable on acceptance of allotment will, if already paid, be returned without interest to the account of the drawee's bank from which they were originally debited;
38. it acknowledges that its commitment to acquire Placing Shares on the terms set out in this Announcement and in the contract note will continue notwithstanding any amendment that may in future be made to the terms and conditions of the Placing and that Placees will have no right to be consulted or require that their consent be obtained with respect to the Company's or finnCap's conduct of the Placing;
39. it has knowledge and experience in financial, business and international investment matters as is required to evaluate the merits and risks of subscribing for the Placing Shares. It further acknowledges that it is experienced in investing in securities of this nature and is aware that it may be required to bear, and is able to bear, the economic risk of, and is able to sustain, a complete loss in connection with the Placing. It has relied upon its own examination and due diligence of the Company and its affiliates taken as a whole, and the terms of the Placing, including the merits and risks involved;
40. it irrevocably appoints any duly authorised officer of finnCap as its agent for the purpose of executing and delivering to the Company and/or its registrars any documents on its behalf necessary to enable it to be registered as the holder of any of the Placing Shares for which it agrees to subscribe for upon the terms of this Announcement;
41. the Company, finnCap and others (including each of their respective affiliates, agents, directors, officers and employees) will rely upon the truth and accuracy of the foregoing representations, warranties, acknowledgements and agreements, which are given to finnCap on its own behalf and on behalf of the Company and are irrevocable;
42. if it is acquiring the Placing Shares as a fiduciary or agent for one or more investor accounts, it has full power and authority to make, and does make, the foregoing representations, warranties, acknowledgements, agreements and undertakings on behalf of each such accounts;
43. time is of the essence as regards its obligations under this Appendix;
44. any document that is to be sent to it in connection with the Placing will be sent at its risk and may be

sent to it at any address provided by it to finnCap;

45. the Placing Shares will be issued subject to the terms and conditions of this Appendix and the articles of association of the Company; and
46. the terms and conditions contained in this Appendix and all documents into which this Appendix is incorporated by reference or otherwise validly forms a part and/or any agreements entered into pursuant to these terms and conditions and all agreements to acquire Placing Shares pursuant to the Placing will be governed by and construed in accordance with English law and it submits to the exclusive jurisdiction of the English courts in relation to any claim, dispute or matter arising out of such contract except that enforcement proceedings in respect of the obligation to make payment for the Placing Shares (together with interest chargeable thereon) may be taken by the Company or finnCap in any jurisdiction in which the relevant Placee is incorporated or in which any of its securities have a quotation on a recognised stock exchange.

By participating in the Placing, each Placee (and any person acting on such Placee's behalf) agrees to indemnify and hold the Company, finnCap and each of their respective affiliates, agents, directors, officers and employees harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the representations, warranties, acknowledgements, agreements and undertakings given by the Placee (and any person acting on such Placee's behalf) in this Appendix or incurred by finnCap, the Company or each of their respective affiliates, agents, directors, officers or employees arising from the performance of the Placee's obligations as set out in this Announcement, and further agrees that the provisions of this Appendix shall survive after the completion of the Placing.

The agreement to allot and issue Placing Shares to Placees (or the persons for whom Placees are contracting as agent) free of stamp duty and stamp duty reserve tax in the United Kingdom relates only to their allotment and issue to Placees, or such persons as they nominate as their agents, direct by the Company. Such agreement assumes that the Placing Shares are not being acquired in connection with arrangements to issue depositary receipts or to transfer the Placing Shares into a clearance service. If there are any such arrangements, or the settlement related to any other dealings in the Placing Shares, stamp duty or stamp duty reserve tax may be payable. In that event, the Placee agrees that it shall be responsible for such stamp duty or stamp duty reserve tax and neither the Company nor finnCap shall be responsible for such stamp duty or stamp duty reserve tax. If this is the case, each Placee should seek its own advice and they should notify finnCap accordingly. In addition, Placees should note that they will be liable for any capital duty, stamp duty and all other stamp, issue, securities, transfer, registration, documentary or other duties or taxes (including any interest, fines or penalties relating thereto) payable outside the United Kingdom by them or any other person on the acquisition by them of any Placing Shares or the agreement by them to acquire any Placing Shares and each Placee, or the Placee's nominee, in respect of whom (or in respect of the person for whom it is participating in the Placing as an agent or nominee) the allocation, allotment, issue or delivery of Placing Shares has given rise to such non-United Kingdom stamp, registration, documentary, transfer or similar taxes or duties undertakes to pay such taxes and duties, including any interest and penalties (if applicable), forthwith and to indemnify on an after-tax basis and to hold harmless the Company and finnCap in the event that either the Company and/or finnCap have incurred any such liability to such taxes or duties.

The representations, warranties, acknowledgements and undertakings contained in this Appendix are given to finnCap for itself and on behalf of the Company and are irrevocable.

finnCap is authorised and regulated by the FCA in the United Kingdom and is acting exclusively for the Company and no one else in connection with the Placing, and finnCap will not be responsible to anyone (including any Placees) other than the Company for providing the protections afforded to its clients or for providing advice in relation to the Placing or any other matters referred to in this Announcement.

Each Placee and any person acting on behalf of the Placee acknowledges that finnCap does not owe any fiduciary or other duties to any Placee in respect of any representations, warranties, undertakings, acknowledgements, agreements or indemnities in the Placing Agreement.

Each Placee and any person acting on behalf of the Placee acknowledges and agrees that finnCap may (at its absolute discretion) satisfy its obligations to procure Placees by itself agreeing to become a Placee in respect of some or all of the Placing Shares or by nominating any connected or associated person to do so.

When a Placee or any person acting on behalf of the Placee is dealing with finnCap, any money held in an account with finnCap on behalf of the Placee and/or any person acting on behalf of the Placee will not be treated as client money within the meaning of the relevant rules and regulations of the FCA made under the FSMA. Each Placee acknowledges that the money will not be subject to the protections conferred by the client money rules: as a consequence this money will not be segregated from finnCap's money in accordance with the client money rules and will be held by it under a banking relationship and not as trustee.

References to time in this Announcement are to London time, unless otherwise stated.

All times and dates in this Announcement may be subject to amendment. Placees will be notified of any changes.

No statement in this Announcement is intended to be a profit forecast or estimate, and no statement in this Announcement should be interpreted to mean that earnings per share of the Company for the current or future financial years would necessarily match or exceed the historical published earnings per share of the Company.

The price of shares and any income expected from them may go down as well as up and investors may not get back the full amount invested upon disposal of the shares. Past performance is no guide to future performance, and persons needing advice should consult an independent financial adviser.

The Placing Shares to be issued pursuant to the Placing will not be admitted to trading on any stock exchange other than the London Stock Exchange.

Neither the content of the Company's website nor any website accessible by hyperlinks on the Company's website is incorporated in, or forms part of, this Announcement.

This information is provided by RNS  
The company news service from the London Stock Exchange

END

MSCFKNDDOBKDQPK