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9 March 2016

## **Vertu Motors plc ("Vertu", the "Company" or the "Group")**

### **Proposed Placing**

#### **Introduction**

Vertu Motors plc (AIM: VTU), the automotive retailer with a network of 126 sales and aftersales outlets across the UK, is pleased to announce a proposed placing to raise £35 million at 62.5 pence per share to fund the Company's acquisition pipeline.

#### **Placing highlights**

- Vertu intends to raise £35 million before expenses through a placing (and additional subscription by directors, senior employees and existing shareholders) (the "**Placing**") by Liberum Capital Limited ("**Liberum**") and Zeus Capital Limited ("**Zeus**") (together the "**Joint Bookrunners**") of 56 million new ordinary shares of the Company of 10 pence each (the "**Placing Shares**") at a price of 62.5 pence per share (the "**Placing Price**").
- The Placing is being conducted by way of an accelerated bookbuild on the Company's behalf by Liberum and Zeus. The bookbuild will open with immediate effect following this Announcement. The timing of the closing of the bookbuild, the final size of the Placing, and allocations are at the discretion of the Company, Liberum and Zeus. A further announcement will be made following closing of the placing book confirming the final size of the Placing.
- The Placing Price represents: (i) a discount of approximately 8.8 per cent. to the closing price of Vertu's existing ordinary shares of 10 pence each ("**Existing Ordinary Shares**") of 68.5 pence on 8 March 2016, being the last practicable date before this announcement; and (ii) a discount of approximately 5.9 per cent. to the average of the closing price of Existing Ordinary Shares for the 30 days ended 8 March 2016, being 66.4 pence.
- The Placing Shares will represent approximately 14.1 per cent. of the Company's enlarged share capital following admission of the Placing Shares to trading on AIM ("**Admission**").
- Certain directors and officers of the Company have indicated an intention to invest £300,000 in aggregate as part of the Placing.
- The Placing is conditional, *inter alia*, upon shareholder approval of the Resolution (as defined below) which is to be proposed at a general meeting of the Company which is expected to be held at 11:00 a.m. on 31 March 2016 at Bond Dickinson LLP, St Ann's Wharf, 112 Quayside, Newcastle upon Tyne NE1 3DX (the "**General Meeting**").
- Further details of the Placing are set out in the appendix to this announcement.

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## **INTRODUCTION**

Vertu, the automotive retailer with a network of 126 sales and aftersales outlets across the UK, announces a proposed Placing of 56 million new ordinary shares in Vertu, at a price of 62.5 pence per share, to raise £35 million before expenses. The Placing proceeds will be used to fund the Company's acquisition pipeline.

## **BACKGROUND TO THE PROPOSED PLACING**

### **Group strategy**

Since its establishment in late 2006, the Group has pursued a strategy to grow a scalable, asset backed, automotive retail business through the acquisition and consolidation of UK automotive retail businesses with the potential for margin growth. The Group has grown through acquisition and the organic development of its business to become the UK's fifth largest automotive retailer, with a national presence and regional clusters. The Group now represents 21 marques and is currently operating 126 sales and aftersales outlets.

Group trading performance continues to be driven by improvements in recently acquired businesses, existing outlets and growth in the higher margin service area. The Group's objective is for well-managed operations to enhance the experience of its customers and, in turn, to secure significant market share gains in each franchise's vehicle sales territory.

Since 2010, the Group has added a number of premium franchises to its portfolio, and currently represents, amongst others, Mercedes-Benz, Jaguar, Land Rover, Volvo and Audi. The Board believes the premium franchises add resilience to the business and present further growth opportunities for Vertu. The Board continues to believe that there are opportunities for further growth, both in terms of geography and in expanding the range of both volume and premium franchises which the Group represents. The consolidation of the UK automotive retail sector continues to gather pace, and the Company intends to take advantage of growth opportunities through continued acquisitions of both underperforming businesses that have significant turnaround potential and strong performing businesses that complement the Group's existing portfolio.

The Group is committed to its growth strategy and to ensuring that it has the right management team in place to deliver controlled and successful growth. Dealership management is a critical factor in the success of the Group, hence the recruitment, development and retention of high performing automotive retail professionals is of vital importance. Two new senior appointments have recently been made reflecting this objective:

- On 1 March 2016, Tim Tozer, former Chairman at Vauxhall Motors, joined the Operational Board to lead a new amalgamated division of Peugeot, Fiat Group and Hyundai dealerships. Tim has a wealth of experience with Vauxhall, Mitsubishi Motors, Inchcape and AutoBinck.
- The Group has also appointed Liz Cope as Chief Marketing Officer with effect from 1 April 2016, a new position for the Group. Liz was previously VP Global Marketing for Vax (incorporating brands such as Hoover and Dirt Devil), and Group Brand and Research Director for Dyson.

## **Recent acquisitions**

The Group has completed approximately £50 million of acquisitions during the last six months. These are summarised below:

### ***Acquisition of Greenoaks Mercedes-Benz***

On 1 March 2016, the Company acquired the entire issued share capital of Sigma Holdings Limited and its subsidiary Greenoaks (Maidenhead) Limited (together "**Greenoaks**") for a total cash consideration of approximately £21.9 million. In addition to the purchase of the share capital of Greenoaks, vendor shareholder loans of £9 million have been settled in cash on completion by Vertu. Greenoaks operates the Mercedes-Benz outlets in Reading, Ascot and Slough, with the Reading and Ascot outlets also representing the smart franchise and Ascot being an AMG performance centre. Greenoaks has represented Mercedes-Benz for over 30 years.

The acquisition introduces Mercedes-Benz, Mercedes AMG and smart to the Group, further progressing its strategic goal of growing the premium mix within the Group. These dealerships are freehold properties which will add further to the strong freehold backing of the Group's balance sheet. The total cash consideration of approximately £21.9 million includes initial consideration of approximately £18.4 million and has been settled from the Group's existing cash resources and borrowing facilities. A further £3.5 million is deferred for twelve months. The transaction includes goodwill of £13 million.

For the year ended 31 December 2015, Greenoaks achieved consolidated revenues of approximately £88 million, adjusted\* earnings before interest, taxation, depreciation and amortisation ("**EBITDA**") of approximately £2.4 million, adjusted\* profits before tax of approximately £1.2 million and had net assets of approximately £6.8 million as at 31 December 2015. The Board expects this acquisition to be earnings enhancing in its first full year of ownership.

UK automotive retailers voted Mercedes-Benz the most sought after franchise in the recent National Franchised Dealers Association's dealer attitude survey. The marque also has a strong pipeline of new products.

*\* adjusted for non-recurring and non-corporate items*

### ***Acquisition of three Honda dealerships in Nottingham, Derby and Stockton-on-Tees***

In January 2016, the Group acquired the trade and assets of three Honda dealerships in Nottingham, Derby and Stockton-on-Tees from Lookers plc for a total consideration of approximately £2 million. The acquisition consolidated the Group as Honda's largest retail partner in Europe with 12 car dealerships, creating regional synergy opportunities with the Group's existing Honda operations.

For the year ended 31 December 2015, the three dealerships achieved unaudited revenues of £39 million and a break even trading result. The Board expects the acquisition to be earnings enhancing in its first full year of ownership.

### ***Acquisition of Who's Ace Holdings Ltd***

In November 2015, the Company acquired the entire issued share capital of Who's Ace Holdings Ltd, the parent company of a group which operates an established non-franchised on-line vehicle parts business headquartered in Kent. Total consideration is estimated at £2.2 million, including a five-year earn out.

For the year ended 31 March 2015, Who's Ace Holdings Ltd reported revenues of £4.8 million, a gross margin of 19 per cent. and EBITDA of £0.6 million. The Board expects the acquisition to be earnings enhancing in its first full year of ownership.

### ***Acquisition of SHG Audi and Volkswagen***

The Company acquired the entire issued share capital of SHG Holdings Limited, a group which operates established Audi, Volkswagen Passenger Cars and Volkswagen Commercial outlets in Hereford, on 1 October 2015. The business also includes two Volkswagen Group parts distribution operations, and a used car and aftersales facility. The acquisition introduced Audi to the Group as a new premium franchise, and also introduced Volkswagen Commercial to the Group for the first time. Total consideration was approximately £14.3 million (£1.5 million of which was deferred for two years).

For the year ended 31 December 2014, SHG Holdings Limited recorded consolidated revenues of £77.5 million, EBITDA of £2.0 million and profits before tax of £1.5 million, and as at 31 December 2014 had net assets of £4.3 million. The Board expects the acquisition to be earnings enhancing in its first full year of ownership.

### **Near term acquisition pipeline**

The Placing will enable the Group to further expand its portfolio through the acquisition of additional dealerships, which the Board expects to comprise both existing and new manufacturer partners.

Three near term acquisitions have already been identified by the Group with a combined consideration of approximately £26 million. Two of these planned acquisitions comprise both premium and volume dealerships and, if they complete, will augment existing franchises in key geographies and also add a new manufacturer partner. The third transaction comprises the acquisition of a freehold property and a long-leasehold property (both of which are currently occupied by the Group), and one of the two dealership acquisitions also includes a significant freehold portfolio.

Due diligence is progressing in relation to two of these three targets, both of which have heads of terms in place. The Board is targeting completion of all three acquisitions between March and June 2016. The remainder of the net Placing proceeds will be used to pursue other portfolio-enhancing acquisition opportunities as industry consolidation continues.

### **Borrowing facilities**

The Group is reviewing its borrowing facilities with a view to utilising the security of its substantial freehold property portfolio to introduce an element of long term debt into its capital structure.

The Board considers that the introduction of property backed, fixed interest, long-term debt of up to £50 million would enhance shareholder returns, whilst maintaining the Group's strong and conservative balance sheet. This long-term debt, if executed, would replace an element of the Group's current debt facilities.

### **TERMS OF THE PLACING**

The Company intends to raise £35 million before expenses by the allotment and issue of 56 million Placing Shares pursuant to the Placing. The Placing Price of 62.5 pence per Placing Share represents: (i) a discount of approximately 8.8 per cent. to the closing price of the Existing Ordinary Shares of 68.5 pence on 8 March 2016, being the last practicable date before the date of this announcement; and (ii) a discount of approximately 5.9 per cent. to the average of the closing price of Existing Ordinary Shares for the 30 days ended 8 March 2016, being 66.4 pence.

Directors and officers of the Company have indicated an intention to invest £300,000 in aggregate as part of the Placing.

The Placing Shares will represent approximately 14.1 per cent. of the Company's enlarged share capital following Admission (the "**Enlarged Share Capital**").

The Group proposes to use the net proceeds of the Placing to fund near term and future acquisitions.

Under the terms of the Placing Agreement, the Joint Bookrunners have agreed, as agents of the Company, to use their respective reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price. The Placing has not been underwritten.

The Placing is conditional, *inter alia*, upon:

- the Resolution (as defined below) being passed at the General Meeting without amendment;
- the Placing Agreement having become unconditional in all respects (save for the condition relating to Admission) and not having been terminated in accordance with its terms; and
- Admission taking place by no later than 8.00 a.m. on 1 April 2016 (or such later date as the Joint Bookrunners may agree, being not later than 5:00pm on 8 April 2016).

The Placing Agreement contains customary warranties given by the Company to the Joint Bookrunners as to matters relating to the Group and its business and a customary indemnity to the Joint Bookrunners in respect of liabilities arising out of or in connection with the Placing. The Placing Agreement also contains customary rights of termination which could enable the Joint Bookrunners to terminate the Placing in certain limited circumstances.

The Placing Shares have not been made available to the public and have not been offered or sold in any jurisdiction where it would be unlawful to do so.

Application will be made to London Stock Exchange plc for the Placing Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Placing Shares will commence on 1 April 2016. The Placing Shares will, when issued, be credited as fully paid and will rank in full for all dividends and other distributions declared, made or paid on the Ordinary Shares and otherwise rank *pari passu* in all respects with the Existing Ordinary Shares. For the avoidance of doubt, the Placing Shares shall rank in full for any final dividend which may be declared in respect of the year ended 29 February 2016.

The Board strongly believes that raising equity finance using the flexibility provided by a non pre-emptive placing is the most appropriate fundraising structure for the Company at this time. The Placing allows both existing institutional investors and new institutional investors to participate whilst avoiding the need for a prospectus which, if required, would be significantly more costly and time-consuming.

## GENERAL MEETING

The Company intends to send a circular to its shareholders shortly to convene a General Meeting of the Company to be held at 11:00 a.m. on 31 March 2016 at Bond Dickinson LLP, St Ann's Wharf, 112 Quayside, Newcastle upon Tyne NE1 3DX.

At the General Meeting, a single special resolution of the Company will be proposed (the "**Resolution**"), the purpose of which is to give the directors of the Company (the "**Directors**") authority to issue and allot the Placing Shares on a non pre-emptive basis pursuant to the Placing. The authority granted to the Directors under the Resolution is in addition to the existing authorities granted to the Directors (under resolutions 10 and 11) at the Company's annual general meeting held in July 2015. **In order for the Placing to take place, the Resolution must be passed. If the Resolution is not passed, it will not be possible for the Placing to take place.**

## Expected timetable

Posting of circular and proxy form to holders of Existing Ordinary Shares	by 11 March 2016
Latest time and date for receipt of proxy forms for the General Meeting	11:00 a.m. on 29 March 2016
General Meeting	11:00 a.m. on 31 March 2016
Admission of the Placing Shares	8:00 a.m. on 1 April 2016
CREST accounts to be credited for Placing Shares in uncertificated form	1 April 2016
Expected date for posting of share certificates for Placing Shares (where applicable)	by 15 April 2016

### Notes:

(1) All times stated on or prior to 26 March 2016 are to Greenwich Mean Time and all times stated on or after 27 March 2016 are to British Summer Time.

(2) Each of the dates and times stated in the above timetable and throughout this document are subject to change, in which event, details of the new times and/or dates will be notified to shareholders via a Regulatory Information Service approved by London Stock Exchange plc.

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## APPENDIX

### Placing terms and conditions

#### IMPORTANT INFORMATION REGARDING THE PLACING FOR PLACEEES ONLY

##### 1 ELIGIBLE PARTICIPANTS

Members of the public are not eligible to participate in the Placing. This appendix and the terms and conditions set out herein are for information purposes only and are directed only at:

- (a) persons in member states of the European Economic Area who are qualified investors as defined in section 86(7) of the Financial Services and Markets Act 2000 ("**FSMA**"), as amended, ("**Qualified Investors**") being persons falling within the meaning of article 2(1)(e) of the EU Prospectus Directive (which means directive 2003/71/EC (and amendments thereto)) and includes any relevant implementing directive measure in any member state) (the "**Prospectus Directive**"); and
- (b) in the United Kingdom, Qualified Investors who are persons that:
  - (i) have professional experience in matters relating to investments and are "investment professionals" falling within the meaning of article 19(1) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**"); or
  - (ii) are persons falling within article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc") of the Order; or such other persons to whom it may otherwise lawfully be communicated without it being accompanied by any further statements and/or warnings required by the Order and not included in this Announcement (all such persons in paragraph 1(a) and paragraph 1(b) together being referred to as "**Relevant Persons**").

This appendix and the terms and conditions set out herein must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which this appendix and the terms and conditions set out herein relate is available only to Relevant Persons and will be engaged in only with Relevant Persons. This appendix does not itself constitute an offer for sale or subscription of any securities in the Company.

Each placee (being the persons procured by the Joint Bookrunners to subscribe for the Placing Shares) ("**Placee**") should consult with its own advisers as to legal, tax, business and related aspects of any investment in Placing Shares.

##### 2 OVERSEAS JURISDICTIONS

The distribution of this announcement and/or issue of Placing Shares pursuant to the Placing or otherwise in certain jurisdictions outside the United Kingdom may be restricted by law. Persons who seek to participate in the Placing must inform themselves about and observe any such restrictions. In particular, this announcement does not constitute an offer to sell or issue or the solicitation of an offer to buy or subscribe for Placing Shares or any other securities in the United States of America (the "**United States**"), Canada, Australia, Japan, South Africa or New Zealand or any other jurisdiction in which such offer or solicitation, publication or distribution is or would be unlawful. Persons receiving this announcement including this appendix (including, without limitation, custodians, nominees and trustees) must not distribute, mail or send it in, into or from the United States, or use the United States mails, directly or indirectly, in connection with the Placing, and by so doing may invalidate any related purported application for Placing Shares.

The Placing Shares have not been and will not be registered under the US Securities Act of 1933, as amended ("**US Securities Act**") or under the securities laws of any state or other

jurisdiction of the United States, and, subject to certain exceptions, may not be offered or sold, resold or delivered, directly or indirectly in or into the United States, or to, or for the account or benefit of, any US persons (as defined in Regulation S under the US Securities Act). No public offering of the Placing Shares or any other securities is being made in the United States. No money, securities or other consideration from any person inside the United States is being solicited pursuant to this announcement, the Placing, or the bookbuild and, if sent in response to the information contained in this announcement, will not be accepted. This announcement is not an offer of securities for sale into the United States.

### 3 **DETAILS OF THE PLACING AGREEMENT AND THE PLACING SHARES**

Liberum and Zeus have entered into a placing agreement (the "**Placing Agreement**") today with the Company under which Liberum and Zeus have, on the terms and subject to the conditions set out therein, each undertaken to use their reasonable endeavours to procure subscribers for the Placing Shares.

Liberum and Zeus are arranging the Placing as agents for and on behalf of the Company. Liberum and Zeus will determine in their absolute discretion the extent of each prospective Placee's participation (if any) in the Placing, which will not necessarily be the same for each Placee.

The Placing Shares will, when issued, be credited as fully paid and will be issued subject to the Company's memorandum and articles of association (the "**Articles**") and will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid on or in respect of the Existing Ordinary Shares after the date of issue of the Placing Shares. No commissions will be paid to Placees or by Placees in respect of any Placing Shares

Each Placee will be required to pay to Liberum or Zeus (as applicable), on the Company's behalf, the Placing Price for each Placing Share allocated to it by Liberum or Zeus (as applicable) and agreed to be acquired by it under the Placing in accordance with the terms set out in this appendix. Each Placee's obligation to acquire and pay for Placing Shares under the Placing will be owed to Liberum, Zeus and the Company. Each Placee has an immediate, separate, irrevocable and binding obligation, owed to Liberum and Zeus, to pay to Liberum or Zeus (or as they may direct) in cleared funds an amount equal to the product of the Placing Price and the number of Placing Shares allocated to such Placee and for which it has agreed to subscribe. Each Placee will be deemed:

- (a) to have read and understood this appendix in its entirety;
- (b) to be participating in the Placing upon the terms and conditions contained in this appendix; and
- (c) to be providing the representations, warranties, agreements, acknowledgements and undertakings, in each case as contained in this appendix.

To the fullest extent permitted by law and applicable Financial Conduct Authority ("**FCA**") rules (the "**FCA Rules**"), none of:

- (i) Liberum or Zeus or any director, officer, employee or consultant of Liberum or Zeus; or
- (ii) to the extent not contained within paragraph 3(i), any person connected with Liberum or Zeus as defined in the FCA Rules (being together "**Affiliates**" and individually an "**Affiliate**"), shall have any liability to Placees or to any person other than the Company in respect of the Placing.

### 4 **BOOKBUILD**

Liberum and Zeus will today commence the bookbuild to determine demand for participation in the Placing by Placees. This appendix gives details of the terms and conditions of, and the mechanics of participation in, the Placing.

Liberum and Zeus shall be entitled to effect the Placing by such alternative method to the bookbuild as they may, in their absolute discretion, determine.

**Participation in, and principal terms of, the Placing:**

- (a) Participation in the Placing will only be available to persons who may lawfully be, and are, invited to participate by Liberum or Zeus.
- (b) To bid in the bookbuild, Placees should communicate their bid by telephone to Liberum or Zeus. Each bid should state the number of Placing Shares which the prospective Placee wishes to subscribe for at the Placing Price. Bids may be scaled down by Liberum and Zeus on the basis referred to in sub-paragraph (g) below.
- (c) The bookbuild is expected to close during the course of today but may be closed later at the discretion of Liberum and Zeus.
- (d) Each prospective Placee's allocation will be determined by Liberum and Zeus and will be confirmed orally by Liberum or Zeus as agent of the Company following the close of the bookbuild. That oral confirmation will constitute an irrevocable legally binding commitment upon that person (who will at that point become a Placee) in favour of Liberum, Zeus and the Company to subscribe for the number of Placing Shares allocated to it at the Placing Price on the terms and conditions set out in this appendix and in accordance with the Articles.
- (e) Each prospective Placee's allocation and commitment will be evidenced by a contract note issued to such Placee by Liberum ("**Contract Note**"). The terms of this appendix will be deemed incorporated into that contract note.
- (f) Each Placee will also have an immediate, separate, irrevocable and binding obligation, owed to Company and Liberum and Zeus as agents of the Company, to pay Liberum or Zeus (or as they 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 subscribe for and the Company has agreed to allot and issue to that Placee.
- (g) Liberum and Zeus may choose to accept bids, either in whole or in part, and may allocate shares and/or scale down any bids for this purpose on such basis as they may determine.
- (h) A bid in the bookbuild will be made on the terms and subject to the conditions in this appendix as published by the Company in its final form via a Regulatory Information Service and will be legally binding on the Placee on behalf of which it is made and except with the consent of Liberum and Zeus will not be capable of variation or revocation after the time at which it is submitted.
- (i) Irrespective of the time at which a Placee's allocation pursuant to the Placing is 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 in paragraph 7 below (*Participation and settlement*).
- (j) All obligations under the bookbuild and Placing will be subject to fulfilment of the conditions referred to in paragraph 5 below (*Conditions of the Placing*) and to the Placing Agreement not being terminated on the basis referred to in paragraph 6 (*Right to terminate under the Placing Agreement*) below.
- (k) By participating in the bookbuild, each Placee agrees that its rights and obligations in respect of the Placing will terminate only in the circumstances described below and will not be capable of amendment, rescission or termination by the Placee.
- (l) To the fullest extent permissible by law, neither Liberum, Zeus nor any of their respective Affiliates shall have any liability to Placees (or to any other person other than the Company whether acting on behalf of a Placee or otherwise). In particular, neither Liberum, Zeus nor any of their Affiliates shall have any liability (including to the fullest extent permissible by law, any fiduciary duties) in respect

of Liberum's or Zeus's conduct of the bookbuild or of such alternative method of effecting the Placing as Liberum and Zeus may undertake.

## 5 **CONDITIONS OF THE PLACING**

Liberum's and Zeus's obligations under the Placing Agreement in respect of the Placing Shares are conditional on, inter alia:

- (a) none of the warranties contained in the Placing Agreement being untrue, inaccurate or misleading as at the date of the Placing Agreement and the date of Admission as though they had been given and made on such dates (by reference to the facts and circumstances existing at such dates);
- (b) the Company allotting, subject only to Admission, the Placing Shares in accordance with the Placing Agreement;
- (c) Admission taking place not later than 8.00 a.m. on 1 April 2016 or such later date as the Company and the Joint Bookrunners (acting jointly) may otherwise agree; and
- (d) the Resolution having been passed at the General Meeting without amendment.

If:

- (i) any of the conditions contained in the Placing Agreement in relation to the Placing Shares are not fulfilled or waived (if capable of being waived) by Liberum and Zeus (acting jointly) by the respective time or date where specified (or such later time or date as the Company, Liberum and Zeus may agree);
- (ii) any of such conditions becomes incapable of being fulfilled; or
- (iii) the Placing Agreement is terminated in the circumstances specified below,

the Placing in relation to the Placing Shares will lapse and the Placee's rights and obligations hereunder in relation to the Placing Shares shall cease and terminate at such time and each Placee agrees that no claim can be made by the Placee in respect thereof. Liberum and Zeus may, acting jointly and in their absolute discretion, upon such terms as they think fit, waive compliance by the Company with certain of the Company's obligations in relation to the conditions in the Placing Agreement save that the certain conditions including the condition relating to Admission taking place may not be waived. Any such extension or waiver will not affect Placees' commitments as set out in this Announcement.

Neither Liberum, Zeus 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 it 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 they 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 the Company, Liberum and Zeus.

It is anticipated that the conditions set out in this appendix will be fulfilled by 1 April 2016 in respect of the Placing. Liberum and Zeus may agree with the Company to extend the time for the satisfaction of any of the conditions of the Placing (provided that such time may not be extended beyond 8.00 a.m. on 8 April 2016 (the "**Long Stop Date**"). The Company will inform each Placee if any such extension is agreed and all subsequent dates mentioned in this Announcement will be adjusted appropriately.

## 6 **RIGHT TO TERMINATE UNDER THE PLACING AGREEMENT**

Subject to the paragraph below, if the conditions are not satisfied or waived by 1 April 2016 in respect of the Placing (or such later time as may be agreed by Liberum, and Zeus, but in any event not later than 8.00 a.m. on the Long Stop Date), the Placing will not proceed and Placees' rights and obligations will cease and determine and no claims will be capable of being made by any Placee in respect of the Placing, and any payments made by Placees will be returned as soon as possible thereafter at the Placee's own risk without interest.

Each of Liberum and Zeus is entitled, at any time before Admission, to terminate the Placing Agreement by giving notice in writing to the Company and the other Joint Bookrunner in certain circumstances, including, *inter alia*, a breach of the warranties given to Liberum and Zeus in the Placing Agreement or the failure of the Company to comply with obligations under the Placing Agreement or the occurrence of a *force majeure* event which is or will be or may be materially prejudicial to the Company or the Placing or there has occurred or is about to occur a material adverse change in the business of the Group or the Company.

By participating in the Placing, Placees agree that the exercise by Liberum or Zeus of any right of termination or other discretion under the Placing Agreement shall be within the absolute discretion of Liberum or Zeus and that they need not make any reference to Placees and that they shall have no liability to Placees whatsoever in connection with any such exercise. The Company will make a further announcement if the obligations under the Placing Agreement do not become unconditional by 8.00 a.m. on 1 April 2016, or such later time and date as Liberum and Zeus may in their absolute discretion determine (being no later than 8.00 a.m. on the Long Stop Date).

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## **PARTICIPATION AND SETTLEMENT**

A Placee's commitment to acquire a fixed number of Placing Shares under the Placing will be agreed orally with Liberum or Zeus (as applicable). Such agreement will constitute a legally irrevocable binding commitment on such Placee's part to acquire that number of Placing Shares at the Placing Price on the terms and conditions set out or referred to in this appendix.

After such agreement is entered into, a Contract Note will be despatched to the Placee by Liberum confirming:

- (a) the number of Placing Shares that such Placee has agreed to acquire;
- (b) the aggregate amount such Placee will be required to pay for those Placing Shares; and
- (c) settlement instructions to pay Liberum or Zeus (as applicable), as agent of the Company. It is expected that such written confirmations will be despatched by the date on which this announcement is published and that the "trade date" for settlement purposes will be 9 March 2016 and the "settlement date" will be 1 April 2016.

Settlement of transactions in the Placing Shares (ISIN: GB00B1GK4645; SEDOL: B1GK464) will take place within the CREST system, subject to certain exceptions, on a delivery versus payment ("**DVP**") basis. Placees should match their instructions to Liberum's CREST participant I.D. CGMAY. This is a CREST account which is operated by Hanover Nominees Limited on Liberum's behalf. The Liberum account ID is SET03. Liberum reserves the right to require settlement for and delivery of any Placing Shares to any Placees by such other means that it deems appropriate if delivery or settlement is not possible or practicable within the CREST system within the timetable set out in this appendix or would not be consistent with the regulatory requirements in any Placee's jurisdiction. A Placee whose Placing Shares are to be delivered to a custodian or settlement agent should ensure that the written confirmation is copied and delivered immediately to the appropriate person within that organisation.

Placees should instruct their CREST agent to make arrangements for payment for any Placing Shares which Placees are required to acquire as soon as possible.

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 UK stamp duty or stamp duty reserve tax. No Placee (or any nominee or other agent acting on behalf of a Placee) will be entitled to receive any fee or commission in connection with the Placing.

No UK stamp duty or stamp duty reserve tax should be payable to the extent that the Placing Shares are issued into CREST to, or to the nominee of, a Placee who holds those shares beneficially (and not as agent or nominee for any other person) within the CREST system and registered in the name of such Placee or such Placee's nominee provided that the Placing Shares are not issued to a person whose business is or includes issuing depositary receipts or the provision of clearance services or to an agent or nominee for any such person.

The agreement to settle a Placee's subscription (and/or the subscription of a person for whom such Placee is contracting as agent) free of stamp duty and stamp duty reserve tax depends on the settlement relating only to a subscription by it and/or such person direct from the Company for the Placing Shares in question. Such agreement assumes that the Placing Shares are not being subscribed for 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 relates to any other subsequent dealing in the Placing Shares, UK stamp duty or stamp duty reserve tax may be payable, for which neither the Company, Liberum nor Zeus will be responsible, and the Placee to whom (or on behalf 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 UK stamp duty or stamp duty reserve tax undertakes to pay such UK stamp duty or stamp duty reserve tax forthwith and to indemnify on an after-tax basis and to hold harmless the Company, Liberum and Zeus in the event that any of the Company, Liberum and/or Zeus has incurred any such liability to UK stamp duty or stamp duty reserve tax. If this is the case, each Placee should seek its own advice and notify Liberum or Zeus (as applicable) accordingly.

In addition, Placees should note that they will be liable for any 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 UK by them or any other person on the subscription by them of any Placing Shares or the agreement by them to subscribe for any Placing Shares.

## 8 **NO PROSPECTUS**

No prospectus has been or will be submitted for approval by the FCA in relation to the Placing or the Placing Shares. Placees' commitments in respect of Placing Shares will be made solely on the basis of the information contained in the announcement and on the terms contained in the announcement and this appendix. Each Placee, participating in the Placing, undertakes that it has neither received nor relied on any other information, representation, warranty or statement made by or on behalf of Liberum, Zeus or the Company other than this announcement and neither the Company nor Liberum nor Zeus will be liable 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 this announcement and its own investigation of the business, financial or other position of the Company in participating in the Placing. Nothing in this paragraph shall exclude the liability of any person for fraudulent misrepresentation.

## 9 **PAYMENT DEFAULT**

A Placee's entitlement to receive any Placing Shares will be conditional on the receipt of payment by Liberum or Zeus from the relevant Placee by the relevant time to be stated in the written confirmation referred to in paragraph 7 (*Participation and settlement*) above, or by such later time and date as Liberum and Zeus may in their absolute discretion determine. Liberum and Zeus may, in their absolute discretion, waive such condition, and shall not be liable to any Placee in the event of it deciding whether to waive or not to waive such condition.

If any Placee fails to make such payment by the required time for any Placing Shares:

- (a) the Company may release itself (if it decides in its absolute discretion to do so) and will be released from all obligations it may have to allot and/or issue any such

Placing Shares to such Placee or at its direction which are then unallotted and/or unissued;

- (b) the Company may exercise all rights of lien, forfeiture and set-off over and in respect of any such Placing Shares to the fullest extent permitted under the Articles or otherwise by law and to the extent that such Placee then has any interest in or rights in respect of any such shares;
- (c) the Company or, as applicable, Liberum or Zeus may sell (and each of them is irrevocably authorised by such Placee to do so) all or any of such Placing Shares on such Placee's behalf and then retain from the proceeds, for the account and benefit of the Company or, where applicable, Liberum or Zeus:
  - (i) any amount up to the total amount due to it as, or in respect of, subscription monies, or as interest on such monies, for any Placing Shares;
  - (ii) any amount required to cover any stamp duty or stamp duty reserve tax arising on the sale; and
  - (iii) any amount required to cover dealing costs and/or commissions necessarily or reasonably incurred by it in respect of such sale; and
- (d) such Placee shall remain liable to the Company and to Liberum or Zeus (as applicable) for the full amount of any losses and of any costs which it may suffer or incur as a result of it:
  - (i) not receiving payment in full for such Placing Shares by the required time; and/or
  - (ii) the sale of any such Placing Shares to any other person at whatever price and on whatever terms are actually obtained for such sale by or for it.

Interest may be charged in respect of payments not received by Liberum or Zeus (as applicable) for value by the required time referred to above at the rate of two percentage points above the current base rate of The Royal Bank of Scotland plc.

#### 10 **PLACEES' WARRANTIES AND UNDERTAKINGS TO THE COMPANY, LIBERUM AND ZEUS**

Placees will be deemed to have read and understood this announcement, including this appendix, in its entirety and to be making an offer to acquire Placing Shares on the terms and conditions, and to be providing the representations, warranties, acknowledgements, and undertakings contained in this appendix. In particular, each such Placee (and any person acting on behalf of the Placee) irrevocably confirms, undertakes, represents, warrants, acknowledges and agrees (as the case may be) with each of the Company, Liberum and Zeus that:

- (a) it is a Relevant Person;
- (b) in the case of a Relevant Person who acquires any Placing Shares pursuant to the Placing 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 other than Relevant Persons or in circumstances in which the prior consent of Liberum and Zeus has been given to the offer or resale; or
  - (ii) where Placing Shares have been acquired by it on behalf of persons in any member state of the EEA other than Relevant Persons, the offer of those Placing Shares to it is not treated under the Prospectus Directive as having been made to such persons;
- (c) it agrees to and accepts all of the terms and conditions set out in this appendix and that it has the power and authority to subscribe for the Placing Shares and to give

- all confirmations and to execute and deliver all documents necessary to effect such subscription;
- (d) its rights and obligations in respect of the Placing will terminate only in the circumstances described in this appendix and will not be capable of amendment, rescission or termination by it in any circumstances;
  - (e) it will pay the full amount at the Placing Price as and when required in respect of all Placing Shares allocated to it in accordance with such terms and will do all things necessary on its part to ensure that payment for such shares and their delivery to it or at its direction is completed in accordance with the standing CREST instructions (or, where applicable, standing certificated settlement instructions) that it has in place with Liberum or Zeus (as applicable) or puts in place with Liberum or Zeus (as applicable) with its agreement;
  - (f) it is not and does not regard itself as being a customer of Liberum or Zeus (as applicable) in relation to the Placing, and Liberum or Zeus (as applicable) will not have any duties or responsibilities towards it or its clients for providing protections afforded to their customers under the rules of the FCA (the "**FCA Rules**") or for advising it with regard to the Placing Shares and that Liberum or Zeus (as applicable) shall not be responsible to it or any other person for providing the protections afforded to its customers whether under the FCA Rules or otherwise, or for advising it or any other person in respect of or in connection with such arrangements. In addition any payment by it will not be treated as client money governed by the FCA Rules. It agrees that Liberum or Zeus (as applicable) shall not be liable to it for any matter arising out of its role as placing agent or otherwise in connection with the Placing and that, where any such liability nevertheless arises as a matter of law, it will immediately waive any claim against Liberum or Zeus (as applicable) which it may have in respect thereof;
  - (g) neither Liberum nor Zeus have any duty to it similar or comparable to rules of "best execution", "suitability" and "risk warnings" as set out in the Conduct of Business Sourcebook of the FCA. It accepts that it is not relying on Liberum or Zeus to advise whether or not the Placing Shares are in any way a suitable investment for it;
  - (h) in agreeing to subscribe for Placing Shares it is not relying on any information, representation or warranty in connection with the Placing, the Company, the Placing Shares, or otherwise, other than as contained in the announcement including this appendix (for which the only person(s) responsible to it is or are the person(s) stated in the announcement as having accepted responsibility for such information, representation, warranty or statement). It is not relying on any representation or warranties or agreements by Liberum or Zeus or any director, employee or agent of Liberum or Zeus or any other person, except as set out in the express terms of this announcement including this appendix;
  - (i) it accepts that the content of this announcement is exclusively the responsibility of the Company and that neither Liberum, Zeus nor any person acting on their respective behalf has or shall have any liability for any information, representation or statement contained in this announcement or any information previously published by or on behalf of the Company and will not be liable for any Placee's decision to participate in the Placing based on any information, representation or statement contained in this announcement or otherwise. Each Placee further represents, warrants and agrees that the only information on which it is entitled to rely and on which such Placee has relied in committing itself to subscribe for the Placing Shares is contained in this announcement and any information previously published by the Company by notification to a Regulatory Information Service, such information being all that it deems necessary to make an investment decision in respect of the Placing Shares and that it has neither received nor relied on any other information given or representations, warranties or statements made by

Liberum or Zeus or the Company and none of Liberum, Zeus or the Company will be liable for any Placee's decision to accept an invitation to participate in the Placing based on any other information, representation, warranty or statement. Each Placee further acknowledges and agrees that it has relied on its own investigation of the business, financial or other position of the Group and the Company in deciding to participate in the Placing. Nothing in this paragraph shall exclude the liability of any person for fraudulent misrepresentation;

- (j) it confirms that it has made an investigation of the pertinent facts relating to the operation of the Company to the extent it deems necessary in order to be fully informed with respect thereto;
- (k) it has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of an investment in the Company and it is able to bear the economic risk of a complete loss of its investment in the Company;
- (l) it is entitled to subscribe for or purchase the Placing Shares which it has agreed to acquire (its "**Placing Participation**") under the laws of all relevant jurisdictions which apply to it and that it has fully observed such laws and obtained all governmental and other consents which may be required thereunder and complied with all necessary formalities;
- (m) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business or that it will acquire, hold, manage and dispose of the Placing Shares for the purposes of its business;
- (n) in accepting a Placing Participation it is acting as principal and for no other person and that its acceptance of that commitment will not give any other person a contractual right to require the issue by the Company of any of the Placing Shares;
- (o) it is entitled to acquire Placing Shares under the laws of all relevant jurisdictions which apply to it and it has complied, and will fully comply, with all such laws (including where applicable, the Terrorism Act 2000, the Anti-Terrorism, Crime and Security Act 2001, the Proceeds of Crime Act 2002, and the Money Laundering Regulations 2007 (the "**Regulations**"), each as amended from time to time) and has obtained all governmental and other consents (if any) which may be required for the purpose of, or as a consequence of, such acquisition, and it will provide promptly to Liberum or Zeus (as applicable) such evidence, if any, as to the identity or location or legal status of any person which Liberum or Zeus may request from it in connection with the Placing (for the purpose of complying with any such laws or regulations or ascertaining the nationality of any person or the jurisdiction(s) to which any person is subject or otherwise) in the form and manner requested by Liberum or Zeus (as applicable) on the basis that any failure by it to do so may result in the number of Placing Shares that are to be allotted and/or issued to it or at its direction pursuant to the Placing being reduced to such number, or to nil, as Liberum or Zeus (as applicable) may decide in their absolute discretion;
- (p) that it has identified its clients in accordance with the Regulations and that it has complied fully with its obligations pursuant to the Regulations;
- (q) it has observed the laws of all requisite territories, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with its application in any territory and that it has not taken any action which will or might result in the Company, Liberum or Zeus acting in breach of the regulatory or legal requirements of any territory in connection with the Placing, application for Placing Shares or the Admission to AIM of the Placing Shares;

- (r) neither it, its affiliates nor any persons acting on its or their behalf has taken or will take, directly or indirectly, any action designed to cause or to result in, or that has constituted or which might reasonably be expected to cause or result in, the stabilisation in violation of applicable laws or manipulation of the price of the Ordinary Shares in the Company to facilitate the sale or resale of the Placing Shares;
- (s) it will not distribute any press announcement relating to the Placing or any other offering material, directly or indirectly, in or into the United States, Canada, Japan, New Zealand, South Africa or Australia or in or into any other jurisdiction where it would be unlawful to do so or to any person resident in such countries;
- (t) neither it, its affiliates, nor any person acting on its or their behalf, has engaged or will engage in any form of general solicitation or general advertising (within the meaning of Regulation D promulgated under the Securities Act) in connection with any offer and sale of the Placing Shares in the United States; neither has it nor any of its affiliates, nor any person acting on its or their behalf used or will use in connection with its participation in the Placing, directly or indirectly, the postal system of, any instrument (including, without limitation, facsimile transmission, telex, telephone and the internet) of interstate or foreign commerce of, or any facilities or a national securities exchange of the United States;
- (u) it is acquiring the Placing Shares in an "offshore transaction" in accordance with Regulation S promulgated under the United States Securities Act of 1933, as amended, for its own account or for an account with respect to which it exercises sole investment discretion, and that at the time it originates its subscription or acquisition it (and any such account) is outside the United States or such account (other than an estate or trust) is held for the benefit or account of a non-US person; the Placing Shares are being offered and sold outside the United States in accordance with Regulation S and none of the Placing Shares have been or will be registered under the US Securities Act; and it is not acquiring the Placing Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Placing Shares into the United States or any other jurisdiction referred to in paragraph 10(s) above;
- (v) Liberum or Zeus may (in 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 other Affiliate or any person associated with any Affiliate to do so;
- (w) it is not, and is not acting in relation to the Placing as nominee or agent for, a person who is or may be liable to stamp duty or stamp duty reserve tax in respect of any agreement to acquire (or any acquisition of) shares or other securities at a rate in excess of 0.5 per cent. (including, without limitation, under sections 67, 70, 93 or 96 of the Finance Act 1986 concerning depositary receipts and clearance services), and the allocation, allotment, issue and/or delivery to it, or any person specified by it for registration as holder, of Placing Shares will not give rise to a liability under any such section;
- (x) that the person who it specifies for registration as holder of the Placing Shares will be (i) itself or (ii) its nominee, as the case may be. Neither Liberum, Zeus nor the Company will 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 participate in the Placing and it agrees to indemnify the Company and Liberum or Zeus (as applicable) in respect of the same on the basis that the Placing Shares will be credited to the CREST stock account of Liberum who will hold them as nominees for the Placees until settlement in accordance with its standing settlement instructions;
- (y) it irrevocably appoints any director or employee of Liberum or Zeus (as applicable) as its agent for the purpose of executing and delivering to the Company and/or its

registrars any document on its behalf necessary to enable it to be registered as the holder of the Placing Shares being issued to it;

- (z) it has not and will not make any offer to the public of the Placing Shares for the purposes of the Prospectus Regulations 2005, Schedule 11 to FSMA or section 85 of FSMA;
- (aa) it agrees to be bound by the terms of the Articles;
- (bb) this appendix and any contract which may be entered into between the Placee and Liberum or Zeus (as applicable) and/or the Company pursuant to it or the Placing shall be governed by and construed in accordance with the laws of England, for which purpose it submits to the exclusive jurisdiction of the courts of England and Wales as regards any claim, dispute, or matter arising out of or relating to this appendix or such contract, except that each of the Company, Liberum and Zeus shall have the right to bring enforcement proceedings in respect of any judgement obtained against such Placee in the courts of England and Wales in the courts of any other relevant jurisdiction;
- (cc) it confirms that it is not presently acting in concert, as defined in the City Code on Takeovers and Mergers, with any existing shareholder or other Placee;
- (dd) each right or remedy of the Company, Liberum or Zeus provided for in this appendix is in addition to any other right or remedy which is available to such person and the exercise of any such right or remedy in whole or in part shall not preclude the subsequent exercise of any such right or remedy;
- (ee) 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 Liberum or Zeus (as applicable);
- (ff) none of its rights or obligations in respect of the Placing is conditional on any other person agreeing to acquire any Placing Shares under the Placing and no failure by any other Placee to meet any of its obligations in respect of the Placing shall affect any of its obligations in respect of the Placing;
- (gg) Liberum and Zeus do not owe any fiduciary or other duties to any Placee in respect of any representations, warranties, undertakings or indemnities in the Placing Agreement. Each Placee and any person acting on behalf of the Placee acknowledges and agrees that Liberum, Zeus or any of their affiliates may, at its absolute discretion, agree to become a Placee in respect of some or all of the Placing Shares; and
- (hh) the Company, Liberum and Zeus and others will rely upon the truth and accuracy of the foregoing confirmations, representations, warranties, acknowledgements, undertakings and agreements which are given by each Placee (or persons acting on their behalf) to Liberum or Zeus on their own respective behalf and on behalf of the Company and are irrevocable.