

**THIS DOCUMENT AND THE ENCLOSED FORM OF PROXY ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the contents of this document, or the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended) if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

The Directors, whose names appear on page 1 of this document, accept responsibility, collectively and individually, for the information contained in this circular (other than for the information concerning the Concert Party and its intentions), save that Julian Viggars does not accept responsibility for the recommendation of the Independent Directors in relation to the Rule 9 Waiver. To the best of the knowledge of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in the circular is in accordance with the facts and does not omit anything likely to affect the import of such information. Craig Newman and Neil Woodford (as directors of Woodford Investment Management Limited (being the investment manager for Woodford)) accept responsibility for the information contained in this circular relating to WIML and Woodford (being members of the Concert Party) and for the intentions of WIML and Woodford (being members of the Concert Party) contained in this circular. To the best of the knowledge and belief of Craig Newman and Neil Woodford (who have taken all reasonable care to ensure that such is the case) the information contained in the circular in relation to Woodford is in accordance with the facts and does not omit anything likely to affect the import of such information. Mark Payton, Martin Glanfield, Matthew Mead, Julian Viggars, Andrew Simpson and Jonathan Diggines (as directors of Enterprise Ventures Limited (being the investment manager for the Enterprise Ventures Funds)) accept responsibility for the information contained in this circular relating to EVL and the Enterprise Ventures Funds (being members of the Concert Party) and for the intentions of EVL and the Enterprise Ventures Funds (being members of the Concert Party) contained in this circular. To the best of the knowledge and belief of Mark Payton, Martin Glanfield, Matthew Mead, Julian Viggars, Andrew Simpson and Jonathan Diggines (who have taken all reasonable care to ensure that such is the case) the information contained in the circular in relation to EVL and the Enterprise Ventures Funds is in accordance with the facts and does not omit anything likely to affect the import of such information. Mark Payton, Martin Glanfield, Matthew Mead and Jonathan Diggines (as executive directors of Mercia Technologies PLC) accept responsibility for the information contained in this circular relating to Mercia (being a member of the Concert Party) and for the intentions of Mercia (being a member of the Concert Party) contained in this circular. To the best of the knowledge and belief of Mark Payton, Martin Glanfield, Matthew Mead and Jonathan Diggines (who have taken all reasonable care to ensure that such is the case) the information contained in the circular in relation to Mercia is in accordance with the facts and does not omit anything likely to affect the import of such information.

If you have sold or transferred all of your Ordinary Shares, please forward this document and the accompanying Form of Proxy as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee.

This document does not constitute a prospectus for the purposes of the prospectus rules of the Financial Conduct Authority nor does it comprise an admission document prepared in accordance with the AIM Rules. Accordingly, this document has not been approved by or filed with the Financial Conduct Authority or the London Stock Exchange or any other regulatory authority. This document does not constitute or form part of any offer or invitation to sell or issue or a solicitation of any offer to acquire, purchase or subscribe for Placing Shares in any jurisdiction. This document must not be distributed to a US person (as such term is defined in the US Securities Act of 1933, as amended (the "Securities Act")) or within or into the United States, Canada, Japan, South Africa, or Australia. The Ordinary Shares have not been and will not be registered under the Securities Act, and may not be offered or sold or subscribed, directly or indirectly, within the United States, Canada, Japan, South Africa, or Australia or to or by any US Person (as such term is defined in Regulation S promulgated under the Securities Act) or any national resident or citizen of Canada, Japan, South Africa, or Australia or any corporation, partnership or other entity created or organised under the laws thereof.

Application will be made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM. No application has been made or is currently intended to be made for the Placing Shares to be admitted to trading or dealt in on any other exchange. It is expected that, subject to, *inter alia*, the passing of the Resolutions at the General Meeting, admission to AIM will become effective in respect of, and that dealings on AIM will commence in, the Placing Shares on or around 29 December 2017.

## **XEROS TECHNOLOGY GROUP PLC**

*(Incorporated and registered in England and Wales under the Companies Act 2006 with number 08684474)*

### **Notice of General Meeting**

**relating to the proposed**

**Placing of 11,111,112 new Ordinary Shares at 225 pence per share**

**Waiver of obligations under Rule 9 of the Takeover Code**

**by**

**Jefferies**

*as nominated adviser, joint broker and joint bookrunner*

**Berenberg**

*as joint broker and joint bookrunner*

The attention of existing shareholders is drawn to the letter from the Chairman of the Company which is set out in this document and which recommends you to vote in favour of the Resolutions to be proposed at the General Meeting referred to below.

Jefferies International Limited (“**Jefferies**”), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, as nominated adviser, joint broker and joint bookrunner, and Joh. Berenberg, Gossler & Co. KG (“**Berenberg**”), which is authorised by the German Federal Financial Conduct Authority (BaFin) and subject to limited regulation by the Financial Conduct Authority, as joint broker and joint bookrunner, are acting exclusively for the Company and no one else in relation to the Placing. Jefferies and Berenberg are not acting for, and will not be responsible to, any person other than the Company and no one else for providing the protections afforded to clients of Jefferies and/or Berenberg or for advising any other person on the contents of this document or any transaction or arrangement referred to herein. The responsibility of Jefferies as nominated adviser under the AIM Rules is owed solely to the London Stock Exchange and not to the Company or its Directors or any other person. Neither Jefferies nor Berenberg has authorised the contents of this document and no liability is accepted by Jefferies and/or Berenberg for the accuracy of any information or opinions contained in or for the omission of any information from this document, for which the Company and the Directors are solely responsible.

**Notice of a general meeting of the Company to be held at the offices of Squire Patton Boggs (UK) LLP at 7 Devonshire Square, London EC2M 4YH at 10.00 a.m. on 28 December 2017 is set out at the end of this document. Shareholders will find the Form of Proxy for use at the General Meeting accompanying this document. The Form of Proxy should be completed and returned to the Company’s registrars, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen B63 3DA, in accordance with the instructions printed on it as soon as possible and, in any event, so as to be received no later than 10.00 a.m. on 22 December 2017 (or, in the case of an adjournment of the general meeting, not later than 48 hours (excluding any part of a day that is not a working day) before the time fixed for the holding of the adjourned meeting). Completion and return of a Form of Proxy will not preclude Shareholders from attending and voting in person at the General Meeting should they so wish.**

No person has been authorised to give any information or to make any representation other than those contained in this document in connection with the Placing and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Company, Jefferies or Berenberg or their respective directors, partners, officers or employees.

The contents of the Company’s website or any website directly or indirectly linked to the Company’s website do not form part of this document.

The Placing Shares will, upon Admission, rank *pari passu* in all respects with the existing Ordinary Shares, including the right to receive all dividends or other distributions declared, made or paid after Admission. The Placing Shares are not being made available to the public in conjunction with the Placing and the information concerning the proposed Placing set out in this document is being provided to existing Shareholders for information purposes only.

The distribution of this document and the offer of the Placing Shares in certain jurisdictions may be restricted by law. Accordingly, neither this document nor any advertisement or any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons outside of the UK into whose possession this document comes should inform themselves about and observe any such restrictions.

**The Placing Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other regulatory authority in the United States, nor have any of the foregoing authorities passed on or endorsed the merits of the Placing or the accuracy or adequacy of the information contained in this document. Any representation to the contrary is a criminal offence in the United States.**

#### CAUTIONARY NOTICE REGARDING FORWARD LOOKING STATEMENTS

This document includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “forecasts”, “plans”, “prepares”, “targets”, “anticipates”, “projects”, “expects”, “intends”, “may”, “will”, “seeks”, or “should” or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the Company’s and the Directors’ intentions, beliefs or current expectations concerning, amongst other things, the Company’s prospects, growth and strategy. No statement in this document is intended to be a profit forecast and no statement in this document should be interpreted to mean that earnings per share of the Company for the current or future years would necessarily match or exceed the historical published earnings per share of the Company.

By their nature, forward-looking statements involve risks and uncertainties because they relate to future events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The Company’s actual performance, achievements and financial condition may differ materially from those expressed or implied by the forward-looking statements in this document. In addition, even if the Company’s results of operations, performance, achievements and financial condition are consistent with the forward-looking statements in this document, those results or developments may not be indicative of results or developments in subsequent periods.

Any forward-looking statements that the Company makes in this document speak only as of the date of such statement, and none of the Company or the Directors undertake any obligation to update such statements unless required to do so by applicable law. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

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## DIRECTORS, SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors: John Andrew Walter Samuel (*Non-Executive Chairman*)  
Mark James Nichols (*Chief Executive Officer*)  
Paul Michael Denney (*Chief Financial Officer*)  
Julian George Viggars (*Non-Executive Director*)  
Simon Richard Ellis (*Non-Executive Director*)  
Stephen Charles Taylor (*Non-Executive Director*)

All of whose business address is The Company's registered office

Company Secretary: Paul Michael Denney

Registered Office: Xeros Technology Group plc  
Unit 2, Evolution  
Advanced Manufacturing Park  
Whittle Way  
Catcliffe  
Rotherham  
South Yorkshire  
S60 5BL

Nominated Adviser, Joint Broker and  
Joint Bookrunner: Jefferies International Limited  
Vintners Place  
68 Upper Thames Street  
London  
EC4V 3BJ

Joint Broker and Joint Bookrunner: Joh. Berenberg, Gossler & Co. KG, London Branch  
60 Threadneedle Street  
London  
EC2R 8HP

Solicitors to the Company: Squire Patton Boggs (UK) LLP  
7 Devonshire Square  
London  
EC2M 4YH

Solicitors to Jefferies and Berenberg: Travers Smith LLP  
10 Snow Hill  
London  
EC1A 2AL

Auditors: KPMG LLP  
1 Sovereign Square  
Sovereign Street  
Leeds  
LS1 4DA

Registrars: Neville Registrars Limited  
Neville House  
18 Laurel Lane  
Halesowen  
B63 3DA

## PLACING STATISTICS

Number of Ordinary Shares in issue at the date of this document	88,058,844
Placing Price	225 pence
Placing Price discount to the closing middle market price on 11 December 2017	12.49%
Total number of Placing Shares being issued pursuant to the Placing	11,111,112
Total number of Main Placing Shares being issued pursuant to the Placing	8,888,890
Number of WCP Shares being issued pursuant to the Placing	2,222,222
Number of Ordinary Shares in issue immediately following Admission	99,169,956
Gross proceeds of the Placing	£25 million
Placing Shares as a percentage of the Enlarged Share Capital	11.20%
Estimated net proceeds of the Placing to be received by the Company	£23.4 million

## EXPECTED TIMETABLE OF KEY EVENTS

This document and the Form of Proxy posted to Shareholders	12 December 2017
Latest time and date for receipt of Forms of Proxy	10.00 a.m. on 22 December 2017
<b>General Meeting</b>	10.00 a.m. on 28 December 2017
Issue of the Main Placing Shares	29 December 2017
Issue of the WCP Shares	29 December 2017
Admission and dealings to commence in the Placing Shares	29 December 2017
Placing Shares in uncertificated form to be credited to CREST accounts (CREST shareholders only)	by 29 December 2017
Definitive certificates for Placing Shares in certificated form to be dispatched (non-CREST shareholders only)	by 15 January 2018

*Each of the times and dates in the above timetable is a reference to the time in London and is subject to change. If any of the above times and/or dates change, the revised times and/or dates will be notified by announcement by the Company on a regulatory information service.*

## DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

“ <b>Admission</b> ”	the admission of the Placing Shares to trading on AIM and such admission becoming effective in accordance with the AIM Rules
“ <b>AIM</b> ”	a market operated by the London Stock Exchange
“ <b>AIM Rules</b> ”	the rules for AIM companies and their nominated advisers issued by the London Stock Exchange
“ <b>Americas</b> ”	North and South America
“ <b>Berenberg</b> ”	Joh. Berenberg, Gossler & Co. KG, London Branch, joint broker and joint bookrunner
“ <b>CF Woodford Investment Fund</b> ”	a company incorporated in England and Wales with registered number IC001010
“ <b>Company</b> ”	Xeros Technology Group plc
“ <b>Concert Party</b> ”	Woodford, WIML, Mercia, EVL and the Enterprise Ventures Funds, (as further detailed in the Additional Information section of this document) who are presumed to be acting in concert for the purposes of the Takeover Code
“ <b>CREST</b> ”	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the Operator (as defined in the CREST Regulations)
“ <b>CREST Regulations</b> ”	The Uncertificated Securities Regulations 2001 (SI 2001/3755)
“ <b>Directors</b> ” or “ <b>Board</b> ”	the board of directors of the Company
“ <b>EMEA</b> ”	Europe, the Middle East and Africa
“ <b>Enlarged Share Capital</b> ”	the number of Ordinary Shares in issue assuming completion of the Placing
“ <b>Enterprise Ventures Funds</b> ”	RisingStars Growth Fund II, Finance Yorkshire Seedcorn LP and South Yorkshire Investment Fund Limited
“ <b>EU</b> ”	the European Union
“ <b>Euroclear</b> ”	Euroclear UK & Ireland Limited
“ <b>EVL</b> ”	Enterprise Ventures Limited
“ <b>Financial Conduct Authority</b> ”	the UK’s Financial Conduct Authority
“ <b>Forward Channel Partner</b> ”	an independent distributor of commercial laundry equipment who sells, installs, commissions and services the Company’s washing machines on a non-exclusive basis within a defined geographic region
“ <b>Form of Proxy</b> ”	the form of proxy for use in connection with the General Meeting accompanying this document
“ <b>FP Omnis Portfolio Investments ICVC</b> ”	a company incorporated in England and Wales with registered number IC000982

<b>“General Meeting”</b>	the general meeting of the Company convened for 10.00 a.m. on 28 December 2017 to approve the Resolutions, or any adjournment thereof, notice of which is set out at the end of this document
<b>“Group”</b>	the Company and its subsidiaries Xeros Limited, Xeros Inc. and Xeros High Performance Work Wear, Inc.
<b>“Independent Directors”</b>	the Directors, other than Julian Viggars (who is a board representative of the Enterprise Ventures Funds);
<b>“Independent Shareholders”</b>	the Shareholders, other than (i) members of the Concert Party and any person acting in concert with them (including any members of their immediate families, related trusts or connected persons) who holds Ordinary Shares and (ii) the Shareholders who subscribe for Main Placing Shares and any person acting in concert with them (including any members of their immediate families, related trusts or connected persons)
<b>“Jefferies”</b>	Jefferies International Limited, the Company’s nominated adviser, joint broker and joint bookrunner
<b>“London Stock Exchange”</b>	London Stock Exchange plc
<b>“Main Placing Resolutions”</b>	Resolutions 1 and 4 proposed to be passed at the General Meeting, which relates to the issue of the Main Placing Shares
<b>“Main Placing Shares”</b>	8,888,890 new Ordinary Shares to be allotted and issued to new and existing institutional shareholders (other than the Concert Party) by the Company pursuant to the Placing
<b>“Mercia”</b>	Mercia Technologies PLC
<b>“Notice of General Meeting”</b>	the notice of the General Meeting set out at the end of this document
<b>“North America”</b>	the US and Canada
<b>“OI&amp;G”</b>	Omnis Income and Growth Fund, being a sub fund of FP Omnis Portfolio Investments ICVC
<b>“OMWEIF”</b>	Old Mutual Woodford Equity Income Fund, being a sub-fund of Old Mutual MultiManager Trust
<b>“Old Mutual MultiManager Trust”</b>	an authorised unit trust established in England and Wales and authorised by the Financial Conduct Authority with product reference number 200108
<b>“OPL”</b>	the on-premise laundry market
<b>“Ordinary Shares”</b>	ordinary shares of 0.15 pence each in the capital of the Company
<b>“Panel”</b>	UK Panel on Takeovers and Mergers
<b>“Placing”</b>	the proposed placing by Jefferies and Berenberg, as agents to the Company, of the Placing Shares at the Placing Price on a non-pre-emptive basis, on the terms and conditions set out in the Placing Agreement
<b>“Placing Agreement”</b>	the agreement between the Company, Jefferies and Berenberg dated 12 December 2017 in connection with the Placing
<b>“Placing Price”</b>	225 pence per Placing Share
<b>“Placing Shares”</b>	the Main Placing Shares and the WCP Shares

<b>“Resolutions”</b>	the resolutions to be proposed at the General Meeting, as set out in the Notice of General Meeting at the end of this document
<b>“Rule 9 Waiver”</b>	the conditional waiver by the Panel of the obligation that, following the issue of the Main Placing Shares, would otherwise arise on the Concert Party to make a general offer to all Shareholders pursuant to Rule 9 of the Takeover Code as a result of the allotment and issue of the WCP Shares
<b>“Shareholders”</b>	holders of Ordinary Shares
<b>“Symphony Project”</b>	the project pursuant to which the Company provides its technology to partner OEMs to allow them to incorporate polymer cleaning systems into their commercial washing machines
<b>“Takeover Code”</b>	City Code on Takeovers and Mergers published by the Panel
<b>“UK”</b>	United Kingdom
<b>“US” or “United States”</b>	United States of America
<b>“WEIF”</b>	the CF Woodford Equity Income Fund, being a sub fund of CF Woodford Investment Fund
<b>“WIML”</b>	Woodford Investment Management Limited, being the investment manager for Woodford
<b>“WCP Resolutions”</b>	Resolutions 2 and 5 proposed to be passed at the General Meeting, which relates to the issue of WCP Shares
<b>“WCP Shares”</b>	2,222,222 new Ordinary Shares to be allotted and issued to one or more members of the Concert Party by the Company pursuant to the Placing
<b>“WPCT”</b>	Woodford Patient Capital Trust plc (being a fund managed by WIML)
<b>“Whitewash Resolution”</b>	Resolution 3 proposed to be passed at the General Meeting, which relates to the Rule 9 Waiver
<b>“Woodford”</b>	together WEIF, WPCT, OI&G and OMWEIF (each being a fund managed by WIML)

All references in this document to “£”, “pence” or “p” are to the lawful currency of the United Kingdom, all references to “US\$” or “\$” are to the lawful currency of the United States

# LETTER FROM THE CHAIRMAN OF XEROS TECHNOLOGY GROUP PLC

*(Incorporated and registered in England and Wales under the Companies Act 2006 with number 08684474)*

*Directors:*

John Samuel  
Mark Nichols  
Paul Denney  
Julian Viggars  
Richard Ellis  
Stephen Taylor

*Registered Office:*

Xeros Technology Group plc  
Unit 2, Evolution  
Advanced Manufacturing Park  
Whittle Way  
Catcliffe  
Rotherham  
South Yorkshire  
S60 5BL

12 December 2017

Dear Shareholder,

## **PROPOSED PLACING OF 11,111,112 NEW ORDINARY SHARES AT 225 PENCE EACH APPROVAL OF WAIVER OF OBLIGATIONS UNDER RULE 9 OF THE TAKEOVER CODE**

### **1. INTRODUCTION**

Your Board today announced that the Company intends to raise approximately £25 million before fees and expenses by a Placing of 11,111,112 new Ordinary Shares with existing and new institutional investors at a Placing Price of 225 pence per Placing Share. The Placing will be structured in two parts as detailed in paragraph 4 below.

For the Placing to proceed, the Company requires Shareholders' approval to authorise the Directors to allot the Placing Shares and disapply pre-emption rights in relation to the issue of the Placing Shares in the manner described in paragraphs 4 and 7 below. I am writing to provide you with details of the Placing and to give you notice of the General Meeting to consider and, if thought fit, approve the Resolutions to grant these authorities. The General Meeting is to be held at the offices of Squire Patton Boggs (UK) LLP at 7 Devonshire Square, London EC2M 4YH at 10.00 a.m. on 28 December 2017. The formal notice of General Meeting is set out at the end of this document.

The Board believes that raising equity finance using the flexibility provided by a non-pre-emptive placing is the most appropriate and optimal structure for the Company at this time. This allows both existing institutional holders and new institutional investors the opportunity to participate in the Placing and avoids the requirement for a prospectus, which is a costly and time consuming process.

The net proceeds of the Placing are intended to be used for the acceleration of the commercialisation by the Company of each of the applications within the Group's portfolio: Cleaning Technologies in domestic markets, high performance workwear and the hotel and lodging sector, Tanning Technologies in the bovine tanning market and Textile Technologies in the garment dyeing and denim finishing markets. The Company intends to continue to invest in polymer science and engineering and the creation of intellectual property in support of the commercialisation of its applications. It is intended that the proceeds be used to deliver major planned operational milestones in 2018 which provide demonstrable value to commercial partners and investors alike. The 2018 milestones are set out below:

#### **Cleaning Technologies**

*In the home:* The Company has announced that it will demonstrate its new domestic washing machine at the Consumer Electronics Show in Las Vegas in January 2018. The Company also expects to sign an upfront license fee and ongoing royalty stream with at least one global machine original equipment manufacturer (an "OEM").

*High Performance Workwear:* The Company expects to achieve a significant penetration of the US firefighter equipment market in 2018 and establish a platform to provide the business with strategic funding options for growth beyond 2018.

*Hotel & Lodging:* The Company intends to sign royalty agreements, under the Symphony Project, with at least two leading global OEMs. It is also planning a major expansion in EMEA on a fully indirect basis using Forward Channel Partners.

### **Tanning Technologies**

The Company is targeting to sign at least four multi-year contracts with leading European tanneries as well as establishing a commercial presence in the US tannery market. This will establish a platform for strategic funding options to grow the business beyond 2018.

### **Textile Technologies**

In both Denim Finishing and Garment Dyeing the Company is expecting to complete commercial scale trials and demonstrate the potential for a capital light business model for each of the applications.

This document provides you with information about the Placing and explains why the Independent Directors consider it to be in the best interest of the Company and its Shareholders, and why the Independent Directors recommend that you vote in favour of each of the Resolutions to be proposed at the General Meeting on which you are entitled to vote.

## **2. BACKGROUND TO THE PLACING**

### **2.1. Information on the Company**

The Company develops and commercialises proprietary polymer based technologies which materially improve the sustainability, performance and economics of water intensive industrial and consumer processes. Where necessary the Company will enter markets directly to prove and de-risk applications of its technology prior to migrating to intellectual property rich, asset light, licensing business models.

The Company has developed from a single application business to establish a portfolio of strategically selected applications in which to apply its polymer technologies in three world-scale industries: cleaning, tanning and textiles.

Given the scale of the markets in which it operates, the Company's strategy is to commercialise its technology with partners, where appropriate, who already have strong market positions and who also demonstrate a strategic intent to deliver increased levels of sustainability. These markets have been evaluated and selected based upon the size of their potential economic returns net of the investment needed to realise them. For each, the Company seeks to generate returns on its intellectual property and know-how with low capital intensity. These returns can be generated through licensing, trade sale or capital market options for each one of the applications.

The Company's Ordinary Shares were admitted to trading on AIM on 25 March 2014, at which point the Company also raised £27.6 million of gross proceeds via the issue of new Ordinary Shares to investors. On 30 November 2015 the Company raised a further £40.0 million of gross proceeds via the issue of new Ordinary Shares to investors.

Since November 2015 the Company has developed its business from being dependent on a single commercial application in a single market (the North American hotel and lodging laundry market) to having a broad, clearly defined portfolio as described above.

In order to accelerate the commercialisation of polymer technology, the Company has aligned resources to each of the application areas that it is pursuing with the vast majority being applied to those with nearer term profitability. Commercialisation is progressing in Cleaning Technologies with revenue of £2.4 million during the 17-month period to 31<sup>st</sup> December 2016; Tanning Technologies is expected to deliver its first revenues in 2018 and the Company is targeting 2019 for textile revenues.

## 2.2. Global Backdrop

Water scarcity is a global imperative. There are 1.3 billion km<sup>3</sup> of water on the planet, 97% of which is in our oceans. Of the remaining 3%, 2.5% is inaccessible, for example in polar ice caps or as a result of pollution. So only 0.5% of the world's water is accessible and greater than 80% of this water is from ground sources which are being rapidly depleted. Immediate problems caused by this over extraction include infrastructure collapse, with further stress being caused by pollution. As a result, there are major supply implications to address.

Water scarcity is only expected to increase as populations grow and develop. GDP per capita has been shown to correlate with water demand in developing countries. The price of water is increasing as a result to manage demand and to recover the cost of increasing and replacing ageing infrastructure.

Given the Company's technology's ability to reduce water usage, the potential cost benefits for users will only increase in line with water costs and so these dynamics are likely to drive further adoption of the Company's products.

## 2.3. Update on progress

### Cleaning Technologies

The Company's Cleaning Technologies use re-usable and recyclable nylon polymers within washing machine drums to substantially reduce water, detergent, energy and effluent usage whilst improving cleaning performance. The Company's technology achieves reductions in water of between 50% and 80%, reductions in detergent of between 25% and 50%, reductions in energy of up to 50% and reductions of effluent usage of between 50% and 80%. The polymers are designed in shape, size, density and composition to achieve the above benefits. Additionally, engineering solutions have been developed by the Company and applied to introduce and remove the polymer beads from the garments and fabrics they clean. The Cleaning Technologies business now includes three distinct areas of commercial application:

*In the home:* The Company has announced that it will demonstrate its new domestic washing machine at the Consumer Electronics Show in Las Vegas in January 2018. It is designed to be incorporated into branded OEMs product lines with very little alteration to the production process. The Company has filed intellectual property against this design.

Globally 119 million washing machines are sold annually with a retail market value of \$70 billion per annum. In addition, the consumer laundry detergent market is worth \$57 billion per annum. The Company's technology will provide consumers with a reduction in cost per wash, resulting from a reduction in detergent, water and energy usage, along with improved fabric care and a reduced environmental footprint. The Xeros domestic laundry machine incorporates a microparticle filtration system, designed to reduce pollution from washing synthetic garments.

*High performance workwear:* The Company first started trialling its Cleaning Technology within the personal protective equipment market in 2016. This market includes the uniforms worn by firefighters, military personnel, petrochemical, construction and mining workers. The Company's technology has demonstrated high levels of decontamination, fabric care and garment life extension in the high performance workwear market.

In April 2017, the Company announced the creation of a new division focused on high performance workwear with an initial focus on firefighters' uniforms. Following this, in July 2017, the Company acquired MarKen PPE Restoration ("MarKen"), a specialist independent service provider of cleaning, inspection and repair services to fire and military customers in North America. Since its acquisition by the Company, MarKen has been awarded contracts valued at approximately \$175,000 per annum. The acquisition was undertaken as a first step in a plan to have the Company's differentiated technology broadly adopted in the North American market and in due course, in other selected markets and/or geographies. The Company has also signed a contract with Ex Nihilo, a garment fleet provider, to use the Company's technology to clean SNCF uniforms.

Globally, the value of personal protective clothing expenditure is £9.5 billion per annum and the Company estimates that the potential value of the US firefighter protective clothing cleaning, inspection and repair market is \$0.3 billion per annum based on an addressable market of c1.5 million firefighter uniforms.

*Hotel and lodging:* This market addresses on-premise laundries within hotels and it was the first commercial development by the Company with 25kg and, more recently, 16kg Xeros-brand washing machines sold or leased to customers in the Americas under multi-year all requirements contracts, which cover the provision of polymers, chemistry and servicing. The Company is moving from serving customers through a fully integrated business model to a model whereby customers are increasingly served by independent Forward Channel Partners. The financial benefits that accrue from the Company's proprietary technology in the form of water, chemistry, energy and effluent savings are shared between the customer, the Company and the Forward Channel Partners (where used). During the latter part of 2017, the Company entered the Australian and Middle Eastern markets via the Forward Channel Partner sales and delivery model.

At the end of December 2016, the Company was awarded approved supplier status with Hilton Americas which represents over 4,300 hotels across the Americas. The Company intends to achieve similar status with other major hotel chains and is currently in discussion with two hotel groups.

The Company announced its Symphony Project in April 2017 with a product launch at the US Clean Show in June 2017. The Symphony Project is intended to enable other branded commercial washing machine OEMs to incorporate the Company's technology within their products and offer the same to their customers, either directly or via their distributors. The Company intends to offer participating OEMs a proportion of the gain share from the Sbeadycare® agreements described above as an incentive for them to increase the market penetration of the Company's technology. In September 2017 the Company announced that it has entered into an agreement with a major OEM to conduct "testing and validation" of the Company's technology within one of its commercial washing machines. The agreement allows for commercial discussions to take place upon successful completion of the test and validation.

Pending the anticipated implementation of this and other Symphony Project agreements, the Company announced in September 2017 that it intended to focus its own brand machine sales activities into high added value segments in the US, Europe, the Middle East and Africa. This fully indirect international business model has been established with first machine sales in EMEA.

In July 2017, the Company signed an agreement with Hitachi Capital America Corporation ("**Hitachi**") whereby Hitachi will provide a range of lease financing packages to the Company's commercial laundry customers and future customers in North America. The agreement also includes the sale of part of the Company's existing lease portfolio.

In September 2017, the Company also announced the commissioning of its "Connect" information portal which monitors and analyses real-time machine performance and usage data to enable customers to manage their laundry operations and track water, chemistry and energy savings. The "Connect" information portal also provides access to data to allow Forward Channel Partners to perform preventative maintenance.

Globally the commercial washing machines market is worth \$881 million per annum and the value of chemistry sold into commercial laundries is worth \$819 million per annum.

### **Tanning Technologies**

In Cleaning Technologies, the Company's polymer technology gently removes unwanted molecules and contaminants from materials; in Tanning Technologies, however, the Company's polymer technology is highly effective in pushing molecules into hides during leather processing. This technology is effective in both the tanning and the retanning and dyeing processes. Initially, the Company has chosen to focus on the retanning and dyeing process. The application of polymer technology in the tanning industry is supported by intellectual property patents.

The Company's Tanning Technologies use re-usable and recyclable polypropylene polymers within tanning drums to substantially reduce the volume and total cost of water and chemistry used, whilst producing leather hides of a comparable quality to that produced in traditional processes. The Company's technology achieves reductions in water and effluent of up to 50% and reductions in chemistry of up to 25%. The polymers are designed in shape, size, density and composition to achieve the above benefits. Additionally, engineering solutions have been developed by the Company and applied to introduce and remove the polymer beads from bovine hides in a tanning drum.

Globally approximately 300 million bovine hides are processed on an annual basis with a value of \$55 billion to the tanning industry.

*Retanning and Dyeing:* Following extensive development and production-scale trials, in July 2017 the Company signed its first contract to provide its polymer technology for the retanning and dyeing activities of Wollsdorf Leder Schmidt and Co., in Austria, on a 10-year basis. Furthermore, the Company has signed Heads of Terms on a multi-year contract with Faeda S.p.A., in Italy. The Company has either completed trials or has trials scheduled with eleven further tanneries across Europe. These trials cover all production types, leather applications and drum material types.

## **Textile Technologies**

In Textile Technologies the Company plans to use re-usable and recyclable polypropylene polymers within rotating drums to substantially reduce the water and chemistry used and the effluent produced in the fading and texturing of denim and in the dyeing of cotton garments. In both cases the intention is at least to match the product quality achieved in traditional processes. The polymers are designed in shape, size, density and composition to achieve the objectives mentioned above. Additionally, engineering solutions have been developed by the Company and applied to introduce and remove the polymer beads from processes they are applied within.

*Denim finishing:* 1.2 billion pairs of denim jeans are manufactured every year. The global retail market value for denim jeans is \$60 billion. The Company aims to reduce the cycle time for the finishing of denim which includes the process steps of de-sizing, cleaving and stonewashing whilst simultaneously reducing the amount of water and chemistry used. The Company has delivered significant improvements in cycle time and water usage in small scale trials and now plans to move to production-scale trials ahead of commercialisation. The Company's process uses a combination of bio-technology and polymer technology to reduce the chemistry that is normally required in traditional processes.

*Cotton garment finishing:* The global cotton processing industry adds \$26 billion of value per annum through the garment finishing process, which includes dyeing. The Company aims to reduce the cycle time for the dyeing and finishing of garments whilst simultaneously reducing the water, salt and chemistry used. The Company has delivered material reductions in water, chemistry and low levels of salt in small scale trials. The Company plans to move to production-scale trials ahead of commercialisation, and is currently in discussions with a global vertically-integrated premium knitwear brand.

The Company supports the commercialisation of the above applications with central functions providing expertise in polymer and engineering development, intellectual property management and corporate function. The Company has a full suite of patents covering all the processes and applications mentioned above. Since the end of 2015 the Company has increased its number of patent families either granted or in application from 39, to its current level of 48 as at the end of June 2017.

## **2.4. Future plans**

### **Cleaning Technologies**

*In the home:* The Company expects discussions with OEMs regarding licence royalties to follow the demonstration of its domestic machine at the Consumer Electronics Show in Las Vegas in January 2018. These discussions will cover both annual royalties and up-front licence fees. The design offers OEMs the ability to provide their customers with washing processes which are cheaper, more environmentally friendly and which will make their clothes cleaner, last longer and look better. The prototype machine that will be demonstrated involves a simple and inexpensive change to conventional machines which manufacturers can include at the end of their production lines. The Company expects to sign a licensing agreement with at least one global machine OEM during 2018.

The Company's medium-term target is for 1.5% of annual global domestic washing machines sold to incorporate the Company's technology. This is equivalent to 1.8 million units. The Company is targeting an average royalty of 4% of the retail price of a machine.

*High performance workwear:* Following the acquisition of MarKen, the Company intends to build a national network, both organically and inorganically, to serve the US firefighter cleaning, inspection and repairs

market. In order to provide full US coverage, the Company believes it will need between 5 and 10 sites. The Company is targeting a total of 4 sites by the end of 2018, which should achieve a significant penetration of the US firefighter equipment market. This should also establish a platform which would give the business strategic funding options for growth beyond 2018.

The Company has started working with the appropriate US regulators with the objective of making the level of cleaning performance delivered by the Company's cleaning process the national standard. The Company believes that the setting of such a standard will accelerate the adoption of its technology. There is also an opportunity to deploy an extension of the Company's "Connect" information portal to track and manage firefighters' uniforms. This should demonstrate the benefits of the Company's technology such as increased garment life and allow management to evolve pricing to include a gain share from these benefits.

As the above strategy develops, the Company will evaluate expansion into new sectors and geographies and this evaluation will include the options for further funding.

The Company's medium-term target is to achieve a 15% to 20% share of the US firefighter cleaning, inspection and repair market by 2022 with a target gross margin of 40%. This target margin is before any gain share from garment life extension is included in pricing.

*Hotel and lodging:* The Company intends to continue its migration towards the licensing model under the Symphony Project, initially in the US with other geographies to follow. Accordingly, in addition to its first OEM agreement, the Company plans to enter into additional agreements with globally recognised OEMs, and is targeting at least two further agreements in 2018. The Company believes that this strategy is the best route to increasing the rate of its adoption at the lowest capital intensity.

During the transition, the Company will focus on selling its own brand machines under its multi-year Sbeadycare® programme in high added value hotel segments and geographies. It is intended that the Company's customers will increasingly be served by Forward Channel Partners thereby reducing the Company's selling, installing, commission and servicing costs. This will allow the Company to maintain its expected overall rate of commissioning of its own machines at between 25 and 30 Sbeadycare® contracts per month in 2018 operating from a lower cost base. This includes further expansion into EMEA in 2018 using Forward Channel Partners to sell and deliver its own brand machines with the Company receiving a royalty for its intellectual property.

This transition is already being implemented in the hotel and lodging business and it will be accelerated during 2018 and 2019.

The Company's medium-term target is to achieve an installed base of between 2,500 – 3,000 machines by the end of 2020 with a target gross margin of between 30% – 40% dependent on the mix between licensing and own sales.

### **Tanning Technologies**

The Company expects to have signed at least 4 multi-year contracts with tanneries in 2018 and it is building an engineering deployment capability to support these tanneries. In 2018 the Company will seek to begin scale trials with larger tannery groups in the Americas having proven the technical and commercial models in Europe. By the end of 2018 the Company expects to be operating with a run-rate of 11m hides per annum being processed by its polymer technology.

During 2018, having established a business platform, the Company will evaluate longer-term growth and funding options.

The Company's medium-term target is to achieve a 15% – 20% market penetration of bovine hide processing by 2021. The estimated total gain per hide of c.£0.6 to £1.05 is expected to be shared equally between each tannery and the Company.

### **Textile Technologies**

The Company will move from small scale trials to larger production-scale trials in 2018 in both denim finishing and cotton garment dyeing and it will seek commercial partners to assist in evaluating the

commercialisation options available to the Company. As these options become more fully developed, the Company will recruit dedicated commercial leadership to take these businesses forward and longer-term growth and funding plans will be developed.

## **2.5. Summary**

Since the last fundraising, the Group has achieved a number of key milestones in its transition from a designer and seller of polymer technology commercial washing machines towards an intellectual property-rich, capital-light licensor of polymer-based technologies to multiple scale industries.

Technical validation and increasing market endorsement show that the Company possesses a platform technology that can transform these industries.

The long-term value of the Company's technology in each of the selected markets is substantial, given their scale, the environmental and economic pressures on them, and the quantum of the improvements it delivers in these areas. These benefits are now increasingly being recognised and the Company is in active discussions with a number of partners with the objective of further accelerating commercial development.

The Company now has the foundations in place to demonstrate value in 2018: it has identified the funds it requires and where these will be deployed; it has the key management in place; it has the required intellectual property protections filed or granted; and it has identified the commercial milestones it needs to achieve in 2018 to demonstrate the value of each application within its portfolio and enhance the platform value of the Group as a whole.

## **3. CURRENT TRADING AND OUTLOOK**

Since the Company announced results for the 6 months to 30th June 2017 trading has continued in line with management expectations. In Cleaning Technologies the Company remains on track with its plans to launch its domestic washing machine at the Consumer Electronics Show in January 2018. In the Hotel and Lodging business the Company has signed a Forward Channel Partner agreement with Consolidated International Corporation (CIC) Middle East in the UAE and the first commercial washing machines have been shipped to Dubai, with further shipments expected before the end of the year. The Company also commissioned its first machine in Australia. At the end of June 2017 the Company reported total commercial machine installations and letters of agreement with a high probability of becoming binding contracts of 460. At the end of October this figure now stands at 492 and, as previously announced, the Company continues to focus on increasing the conversion rate of revenue generating machines in the US hotel market and reducing the number of non-revenue generating trial machines, as well as placing new installations into high value customers and geographies.

The high performance workwear business is trading in line with management expectations and planning activity continues to expand the national footprint of the business. In Tanning Technologies the Company continues to progress trials of its technology in European tanneries.

Overall the full year outlook for the Company is in line with management expectations.

## **4. TAKEOVER CODE, CONCERT PARTY AND RULE 9 WAIVER**

### **4.1. Application of the Takeover Code**

The Company is subject to the Takeover Code. Brief details of the Panel, the Takeover Code and the protections they afford 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 listed public company registered in the United Kingdom. The Company is a listed public company registered in the United Kingdom and its Shareholders are therefore entitled to the protections afforded by the Takeover Code.

Under Rule 9 of the Takeover Code, where any person acquires, whether by a series of transactions over a period of time or not, an interest in shares (as defined in the Takeover Code) which (taken together with

shares already held by him and any interest in shares held or acquired by persons acting in concert with him) carry 30% or more of the voting rights of such a company, that person is normally required to make a general offer to all the holders of any class of equity share capital or other class of transferable securities carrying voting rights in that company to acquire the balance of their interests in the company.

Rule 9 of the Takeover Code also provides that, among other things, where any person who, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30% of the voting rights of such a company but does not hold shares carrying more than 50% of the voting rights of such a company, and such person, or any person acting in concert with him, acquires an additional interest in shares which increases the percentage of shares carrying voting rights in which he is interested, then such person is normally required to make a general offer to all the holders of any class of equity share capital or other class of transferable securities carrying voting rights of that company to acquire the balance of their interests in the company.

An offer under Rule 9 of the Takeover Code must be in cash (or with a cash alternative) and at not less than the highest price paid within the preceding 12 months for any shares in the company by the person required to make the offer or any person acting in concert with him.

For the purposes of the Takeover Code, persons acting in concert comprise persons who, pursuant to an agreement or understanding (whether formal or informal), cooperate to obtain or consolidate control of a company. As explained further below, certain categories of person are presumed to be acting in concert under the Takeover Code unless the contrary is established.

#### **4.2. Historic inadvertent breach of Rule 9 of the Takeover Code by the Concert Party**

##### **Presumptions**

The Takeover Code provides that certain categories of person are presumed to be acting in concert, including:

- a company, its parent, subsidiaries and fellow subsidiaries, and their associated companies, and companies of which such companies are associated companies, all with each other (for this purpose ownership or control of 20% or more of the equity share capital of a company is regarded as the test of associated company status); and
- a fund manager (including an exempt fund manager) with any investment company, unit trust or other person whose investments such fund manager manages on a discretionary basis, in respect of the relevant investment accounts.

On 9 March 2016, Mercia completed the acquisition of Enterprise Ventures Group Limited, of which EVL is a wholly owned subsidiary. EVL is the discretionary fund manager of, inter alia, the Enterprise Ventures Funds. On the basis that certain members of Woodford (acting through WIML) then held more than 20% of the voting rights of Mercia, Woodford was then presumed to be acting in concert with Mercia, EVL and the Enterprise Venture Funds. At that time, Woodford held 20.50% of the voting rights of the Company and the Enterprise Venture Funds (acting through EVL) held 7.29% of the voting rights of Company. Accordingly, the Concert Party held an aggregate of 27.79% of the voting rights of the Company.

##### **Historic inadvertent breach of Rule 9 of the Takeover Code by the Concert Party**

Between 9 March 2016 and 12 July 2017, WIML (as agent and investment manager for Woodford) purchased an aggregate of 5,419,350 Ordinary Shares in approximately 120 separate trades, thereby increasing its holding of voting rights in the Company to 25.96% as at the date of this document. On the basis that these purchases increased the Concert Party's aggregate holding of voting rights in the Company from 27.79% to 33.01% as at the date of this document, they had the effect of triggering an obligation for the Concert Party to make a mandatory offer for the entire issued share capital in the Company under Rule 9.1 of the Takeover Code. However, Woodford and the Enterprise Ventures Funds (acting through EVL) had not appreciated at the time that these acquisitions were made that they were presumed to be acting in concert, and no such offer was made.

The Panel has accepted that this obligation for the Concert Party to make a general offer for the Company under Rule 9.1 was triggered inadvertently and has, in accordance with Note 4 on Rule 9.1 of the Takeover Code, accordingly agreed that no offer is required to be made as a result of these purchases. Ordinarily, the Panel would require, as a condition of its not requiring an offer to be made, that sufficient shares are disposed

of to independent third parties in order to remedy the breach of Rule 9 that has occurred and, pending the completion of the disposal, the application of restrictions on the exercise of the voting rights attaching to the number of shares as results in the persons acting in concert being able to exercise less than 30% of the voting rights attaching to the shares of the Company. However, the Panel has agreed not to require Woodford to sell approximately 2,682,551 Ordinary Shares in this case on the basis that:

- 4.2.1. by the time that Woodford had appreciated that it had thereby triggered an obligation under Rule 9.1 of the Takeover Code, it was in confidential discussions with the Company regarding the Placing and, accordingly, Woodford was then restricted under the Market Abuse Regulation from dealing in the Ordinary Shares;
- 4.2.2. the Concert Party shall exercise less than 30% of the voting rights attaching to the shares of the Company in respect of the Resolutions on which the members of the Concert Party are entitled to vote; and
- 4.2.3. in the event that the Resolutions are approved and the first part of the Placing (relating to the issue and allotment of the Main Placing Shares) is implemented, then the Concert Party would come to hold less than 30% of the Company's voting rights.

Woodford will be able to increase its shareholding in the Company through the issue of the WCP Shares only if the Rule 9 Waiver and the associated Whitewash Resolution is approved by the Independent Shareholders.

#### 4.3. Rule 9 Waiver

As at the date of this document, the members of the Concert Party hold existing Ordinary Shares representing 33.01% of the voting rights of the Company. Following the issue of the Main Placing Shares to persons other than the Concert Party, the Concert Party will control approximately 29.99% of the voting rights of the Company (on the assumption that between the date of this document and the issue of the Main Placing Shares there is no other issue of shares by the Company, whether pursuant to an exercise of options or otherwise, and there is no other change to the Concert Party's holding of Ordinary Shares).

It is proposed that Woodford subscribe for WCP Shares, which would result in the Concert Party holding Ordinary Shares representing 31.56% of the voting rights of the Company. As a consequence of the issue of the WCP Shares, without a waiver of the obligation under Rule 9 of the Takeover Code, the Concert Party would be required to make a general offer for the balance of Ordinary Shares in issue immediately following Admission. The Panel has been consulted and has agreed, subject to the Whitewash Resolution being passed by the Independent Shareholders (on a poll) at the General Meeting, to waive the obligation that would otherwise arise under Rule 9 of the Takeover Code as a result of the issue of WCP Shares to Woodford pursuant to the Placing. The Whitewash Resolution will be passed if approved by a simple majority of votes cast by Independent Shareholders (on a poll).

Following completion of Admission, Rule 9 of the Takeover Code will continue to apply to the Concert Party, requiring a general offer to be made to all Shareholders if any member of the Concert Party or persons acting in concert with them acquires any Ordinary Shares in addition to those which are the subject of the Whitewash Resolution, unless a further waiver is obtained. Shareholders should note that the waiver of Rule 9 of the Takeover Code which the Panel has agreed to give (conditional on the Whitewash Resolution being passed by the Shareholders) is only in respect of the acquisition of WCP Shares by Woodford as a result of the Placing and not in respect of any other future acquisition of Ordinary Shares by any member of the Concert Party or persons acting in concert with them.

**Shareholders should be aware that if the Resolutions are passed, the Concert Party will not be restricted from making an offer for the Company. The members of the Concert Party have confirmed that the Concert Party has no intention of making an offer for the Company.**

Further information regarding the Concert Party and the Rule 9 Waiver is set out in the Additional Information section contained in this document.

## 5. REASONS FOR THE PLACING AND USE OF PROCEEDS

### 5.1. Reasons for the Placing

The Directors are of the view, given the opportunities available to the Group and its limited current cash resources, that this is the appropriate time for the Company to request shareholder approval in order to raise further funds through the Placing. The Placing will enable the Company to maintain the momentum seen since the Company's last equity issue in November 2015 as it seeks to build on its progress within the business.

Shareholders should be aware that, if the Resolutions are not approved at the General Meeting, the Placing will not occur and the net proceeds of the Placing will not be received by the Company. If this were to happen, the Group would only have sufficient working capital to trade through to mid-February 2018 without taking any mitigating action.

As further detailed in paragraph 9 below, the Company has received, in aggregate, irrevocable undertakings to vote in favour of the Resolutions to be proposed at the General Meeting in respect of:

- the Main Placing Resolutions and WCP Resolutions, 48,215,098 existing Ordinary Shares, representing, in aggregate, approximately 57.22% of the existing issued ordinary share capital entitled to vote on these Resolutions; and
- the Whitewash Resolution, 8,732,962 existing Ordinary Shares, representing, in aggregate, approximately 52.93% of the existing issued ordinary share capital of the Company entitled to vote on this Resolution.

### 5.2. Use of proceeds

As at 30 November 2017, the Company had existing cash resources of £4.2 million, which together with the gross proceeds of the Placing would result in a pro forma cash balance of £29.2 million.

The current run-rate of cash expense across all commercial applications and the above central capabilities is approximately £2.2 million per month. Following the Placing, there is expected to be no overall change in the current run-rate cash burn at the Group level.

The Company will deploy its resources in each of its identified applications based upon the size of the potential economic returns. As the Company migrates its Hotel & Lodging business towards an indirect business model, this will enable cash to be invested in these other areas.

The Company currently envisages applying its pro forma cash resources following the Placing in the following areas:

#### *Cleaning Technologies*

- £2 million to support the commercialisation of its domestic machine post-launch in January 2018
- £5 million to fund the expansion of the North American high performance workwear business
- £7 million to fund the Symphony Project, and to continue to expand sales of its own brand machine in its chosen premium market segments in the US and select international markets

#### *Tanning Technologies*

- £5 million to provide resources to enable delivery of accelerated deployment across Europe and to support the roll-out of commercial operations in the Americas

#### *Textile Technologies*

- £2 million to provide resources to enable the scale up of trials to production level and to develop full commercial plans

In addition to the above commercialisation plans, the Group will fund central capabilities as follows:

- £2 million on business IT, and more specifically the Company's "Connect" portal
- £2 million on engineering (i.e. the design of polymer management systems for all forms of industrial applications)
- £1 million for polymer development

- £2 million for intellectual property management
- £1 million for corporate functions including finance, HR and Communications
- £1 million for PLC related costs

## **6. DETAILS OF THE PLACING**

### **6.1. Description**

The Company is proposing to raise approximately £25 million (before fees and expenses) by way of a conditional, non-pre-emptive placing of 11,111,112 new Ordinary Shares, comprising 8,888,890 Main Placing Shares and 2,222,222 WCP Shares, at the Placing Price.

The Company intends to first allot the Main Placing Shares (conditional on Admission) to certain new and existing institutional shareholders of the Company (but excluding the Concert Party) so that the Concert Party would come to hold less than 30% of the Company's voting rights. The Company then intends to separately allot the WCP Shares to Woodford (also conditional on Admission). The issue of the WCP Shares will be conditional upon the Main Placing Shares having first been allotted and the approval by the Independent Shareholders of the Whitewash Resolution. The Company intends that both the Main Placing Shares and the WCP Shares shall be issued at Admission.

The Company has received irrevocable commitments from Woodford to participate in the Placing in respect of all of the WCP Shares.

The Placing Price represents a discount of approximately 12.49% from the closing mid-market price on 11 December 2017, being the latest practicable date prior to the announcement of the Placing. The Placing Shares will represent approximately 11.20% of the Enlarged Share Capital following Admission. In order to broaden the Company's institutional shareholder base and to minimise the time and transaction costs of the Placing, the Placing Shares are only being placed by Jefferies and Berenberg with a limited number of existing and new institutional shareholders. The Placing Shares are not being made available to the public.

The Placing Shares will be issued credited as fully paid and will be identical to and rank *pari passu* in all respects with the existing Ordinary Shares, including the right to receive all future distributions, declared, paid or made in respect of the Ordinary Shares following the date of Admission.

### **6.2. Placing Agreement**

In connection with the Placing, the Company has entered into the Placing Agreement pursuant to which Jefferies and Berenberg have agreed, in accordance with its terms, to use reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price. The Placing is not underwritten. In accordance with the terms of the Placing Agreement, the Placing is conditional upon, amongst other things, the passing of the Resolutions, the Rule 9 Waiver being approved, the conditions in the Placing Agreement being satisfied or (if applicable) waived and the Placing Agreement not having been terminated in accordance with its terms prior to Admission occurring on or before 29 December 2017 (or such later date as the Company and Jefferies (having consulted with Berenberg) may agree, not being later than 19 January 2018).

The Placing Agreement contains certain warranties given by the Company concerning the accuracy of information given in this circular and the announcement made by the Company in respect of the Placing as well as other matters relating to the Group and its business. The Placing Agreement is terminable by Jefferies and Berenberg in certain circumstances up until the time of Admission, including, *inter alia*, should there be a breach of a warranty contained in the Placing Agreement or a *force majeure* event takes place or a material adverse change occurs to the business of the Company or the Group. The Company has also agreed to indemnify Jefferies and Berenberg against all losses, costs, charges and expenses which Jefferies and Berenberg may suffer or incur as a result of, occasioned by or attributable to the carrying out of its duties under the Placing Agreement.

### **6.3. Admission of the Placing Shares**

Application will be made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM. Subject, *inter alia*, to the passing of the Resolutions at the General Meeting it is expected that admission

to AIM will become effective in respect of, and that dealings on AIM will commence in, all of the Placing Shares, on or around 29 December 2017.

It is expected that CREST accounts of the investors in the Placing Shares who hold their Ordinary Shares in CREST will be credited with their Placing Shares on 29 December 2017. In the case of investors in the Placing Shares holding their Ordinary Shares in certificated form, it is expected that certificates will be dispatched by 15 January 2018. Pending dispatch of the share certificates or the crediting of CREST accounts, the Registrar will certify any instruments of transfer against the register.

## **7. GENERAL MEETING**

A notice convening a General Meeting, to be held at the offices of Squire Patton Boggs (UK) LLP at 7 Devonshire Square, London EC2M 4YH at 10.00 a.m. on 28 December 2017, is set out at the end of this document.

At this meeting, as set out in the Notice of General Meeting:

- resolution 1 is an ordinary resolution to authorise the Directors under section 551 of the Act to allot the Main Placing Shares;
- resolution 2 is an ordinary resolution to authorise the Directors under section 551 of the Act to allot the WCP Shares;
- resolution 3 is the Whitewash Resolution. It is an ordinary resolution. This resolution requires approval by the Independent Shareholders (on a poll) at the General Meeting;
- resolution 4 is a special resolution to authorise the Directors under section 570 of the Act, to allot the Main Placing Shares pursuant to the Placing on a non-pre-emptive basis; and
- resolution 5 is a special resolution to authorise the Directors under section 570 of the Act, to allot the WCP Shares pursuant to the Placing on a non-pre-emptive basis.

The Directors do not, at present, intend to issue any share capital other than in connection with the Placing and, for the purposes of the share option schemes, the issue of Ordinary Shares to holders of options.

## **8. ACTION TO BE TAKEN**

Shareholders will find enclosed a Form of Proxy for use at the General Meeting. Whether you are going to attend the meeting or not, please complete the Form of Proxy, following the instructions, and return it to the Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen B63 3DA as soon as possible, to arrive by 10.00 a.m. on 22 December 2017 or, in the case of an adjournment of the General Meeting, not later than 48 hours before the time fixed for the holding of the adjourned meeting (excluding any part of a day that is not a business day) at the latest. Returning the form will not stop you from attending the meeting and voting if you wish to do so.

## **9. IMPORTANCE OF THE VOTE, IRREVOCABLE UNDERTAKINGS AND RECOMMENDATION**

Shareholders should be aware that, if the Resolutions are not approved at the General Meeting, the Placing will not occur and the net proceeds of the Placing will not be received by the Company. If this were to happen, the Group would only have sufficient working capital to trade through to mid-February 2018 without taking any mitigating action.

### **Irrevocable undertakings and letters of intent**

In aggregate, the Company has received irrevocable undertakings to vote in favour of the Resolutions to be proposed at the General Meeting in respect of:

- the Main Placing Resolutions and WCP Resolutions, 48,215,098 existing Ordinary Shares, representing, in aggregate, approximately 57.22% of the existing issued ordinary share capital entitled to vote on these Resolutions; and
- the Whitewash Resolution, 8,732,962 existing Ordinary Shares, representing, in aggregate, approximately 52.93% of the existing issued ordinary share capital of the Company entitled to vote on this Resolution.

John Samuel, who is an Independent Director and holds shares in the Company, has irrevocably undertaken to vote in favour of all Resolutions in respect of his holdings, amounting to 1,477,188 Ordinary Shares representing approximately 1.68% of the existing issued ordinary share capital of the Company.

In addition to John Samuel, certain other Shareholders have irrevocably undertaken to vote in favour of the Resolutions as follows:

- in respect of the Main Placing Resolutions and the WCP Resolutions, 46,737,910 existing Ordinary Shares, representing, in aggregate, approximately 55.46% of the existing issued ordinary share capital of the Company entitled to vote on these Resolutions; and
- in respect of the Whitewash Resolution, on which only the Independent Shareholders are entitled to vote, 7,255,774 existing Ordinary Shares, representing, in aggregate, approximately 43.98% of the existing issued ordinary share capital of the Company entitled to vote on this Resolution.

In addition, certain other Shareholders have provided letters of intent to vote in favour of the Main Placing Resolutions and the WCP Resolutions in respect of 12,899,275 existing Ordinary Shares, representing, in aggregate, approximately 15.31% of the existing issued ordinary share capital of the Company.

### **Voting rights limitations**

The members of the Concert Party have also irrevocably undertaken to exercise, in aggregate, less than 30% of the voting rights attaching to the shares of the Company, in respect of the Main Placing Resolutions and WCP Resolutions. The members of the Concert Party are not entitled to vote in respect of the Rule 9 Waiver.

Invesco Asset Management Limited, IP Group Plc, Baillie Gifford & Co, Parkwalk Advisors and Mr Alistair Kilgour are considered not to be independent in respect of the Rule 9 Waiver by virtue of their participation in the Placing or by virtue of their being presumed to be acting in concert (within the meaning of the Takeover Code) with participants in the Placing, and will each therefore only be entitled to vote in respect of the Main Placing Resolutions and WCP Resolutions.

### **Recommendation**

The Independent Directors, who have been so advised by Jefferies as to the financial terms of the Placing and Rule 9 Waiver, consider the terms of the Placing and Rule 9 Waiver to be fair and reasonable and in the best interests of the Independent Shareholders and the Company as a whole.

In providing advice to the Independent Directors, Jefferies has taken into account the Independent Directors' commercial assessments.

The Independent Directors consider that the Placing and the Resolutions are in the best interests of the Company and its Shareholders as a whole and unanimously recommend that you vote in favour of each of the Resolutions to be proposed at the General Meeting on which you are entitled to vote.

Yours sincerely,

**John Samuel**

*Chairman*

*Xeros Technology Group plc*

## ADDITIONAL INFORMATION

### 1. DEFINITIONS

The following expressions used in this section have the following meanings:

“**acting in concert**” has the meaning given in the Takeover Code;

“**arrangement**” includes any indemnity or option arrangement, and any agreement or understanding, formal or informal, of whatever nature, relating to relevant securities which may be an inducement to deal or refrain from dealing;

“**connected person**” has the meaning attributed to it in section 252 of the Companies Act;

“**control**” means an interest, or interests, in shares carrying in aggregate 30% or more of the voting rights of a company which are currently exercisable at a general meeting, irrespective of whether such interest or interests give de facto control;

“**dealing**” or “**dealt**” includes the following:

- (a) the acquisition or disposal of securities, of the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to the securities, or of general control of securities;
- (b) the taking, granting, acquisition, disposal, entering into, closing out, termination, exercise (by either party) or variation of an option (including a traded option contract) in respect of any securities;
- (c) subscribing or agreeing to subscribe for securities;
- (d) the exercise or conversion, whether in respect of new or existing securities, of any securities carrying conversion or subscription rights;
- (e) the acquisition of, disposal of, entering into, closing out, exercise (by either party) of any rights under, or variation of, a derivative referenced, directly or indirectly, to securities;
- (f) entering into, terminating or varying the terms of any agreement to purchase or sell securities;
- (g) the redemption or purchase of, or taking or exercising an option over, any of its own relevant securities (by either party); and
- (h) any other action resulting, or which may result, in an increase or decrease in the number of securities in which a person is interested or in respect of which he has a short position;

“**derivative**” includes any financial product the value of which, in whole or in part, is determined directly or indirectly by reference to the price of any underlying security;

“**disclosure date**” means 11 December 2017 (being the latest practicable date prior to the publication of this document);

“**disclosure period**” means the period of 12 months ending on the disclosure date;

a person has an “**interest**” in or is “**interested**” in securities if he has a long economic exposure, whether absolute or conditional, to changes in the price of those securities (and a person who only has a short position in securities is not treated as interested in those securities). In particular, a person is treated as “**interested**” in securities if:

- (a) he owns them;

- (b) he has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to them or has general control of them;
- (c) by virtue of any agreement to purchase any option or derivative, he has the right or option to acquire them or call for their delivery, or is under an obligation to take delivery of them, in each case, whether the right, option or obligation is conditional or absolute and whether it is in the money or otherwise;
- (d) he is party to any derivative whose value is determined by reference to their price and which results, or may result, in his having a long position in them;
- (e) he is party to any derivative whose value is determined by reference to their price and which results, or may result, in his having a long position in them; or
- (f) in the case of Rule 5 of the Takeover Code only, he has received an irrevocable commitment in respect of them;

“**relevant securities**” includes: (1) shares and any other securities conferring voting rights; (2) equity share capital; (3) any securities convertible into or carrying rights to subscribe for securities, described in (1) and (2) above; and (4) options (included traded options) in respect of and derivatives referenced to any of the foregoing; and

“**short position**” means any short position (whether conditional or absolute and whether in the money or otherwise) including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery.

## 2. INFORMATION ON THE MEMBERS OF THE CONCERT PARTY

### 2.1. Composition of the Concert Party

The members of the Concert Party comprise the following:

- (a) Omnis Income and Growth Fund (“**OI&G**”), a sub-fund of FP Omnis Portfolio Investments ICVC, an investment company with variable capital authorised by the Financial Conduct Authority. As at 31 May 2017, OI&G had approximately £238.87 million of assets under management;
- (b) Old Mutual Woodford Equity Income Fund (“**OMWEIF**”), a sub-fund of Old Mutual MultiManager Trust, an authorised unit trust established in England and Wales and authorised by the Financial Conduct Authority. As at 30 November 2017, OMWEIF had an approximate fund size of £187.62 million of assets under management;
- (c) CF Woodford Equity Income Fund (“**WEIF**”), a sub-fund of CF Woodford Investment Fund, an open-ended investment company with variable capital authorised by the Financial Conduct Authority. As at 30 June 2017 WEIF had an approximate fund size of £10.05 billion;
- (d) Woodford Patient Capital Trust plc (“**WPCT**”), a public company listed on the Main Market of the London Stock Exchange. WPCT invests in a diversified portfolio with a focus on UK companies, both quoted and unquoted. As at 30 June 2017 WPCT’s total assets were approximately £836.42 million;
- (e) Woodford Investment Management Limited (“**WIML**”), as the discretionary investment fund manager of WEIF, WPCT, OI&G and OMWEIF (together “**Woodford**”);
- (f) RisingStars Growth Fund II (“**RGF**”), a private limited partnership which invests in technology businesses;
- (g) Finance Yorkshire Seedcorn LP (“**FYS**”), a private limited partnership which invests in technology businesses;

- (h) South Yorkshire Investment Fund Limited (“**SYI**”), a private limited company which invests in technology businesses;
- (i) Enterprise Ventures Limited (“**EVL**”), as the discretionary fund manager of RGF, FYS and SYI (together the “**Enterprises Ventures Funds**”); and
- (j) Mercia Technologies PLC (“**Mercia**”), a public limited company whose shares are admitted to trading on AIM. Mercia is a national investment group focused on the funding and scaling of innovative businesses with high growth potential from the UK regions.

WIML is a private limited company incorporated in England and Wales. WIML is authorised and regulated by the UK Financial Conduct Authority. Its directors and other corporate details are listed in the table below:

Name	Woodford Investment Management Limited
Directors	Craig Newman and Neil Woodford
Address	9400 Garsington Road, Oxford Business Park, Oxford, United Kingdom, OX4 2HN
Website	www.woodfordfunds.com
Place of incorporation	England and wales
Registered number	10118169
Activities	Investment management activities

EVL is a private limited company incorporated in England and Wales. EVL is authorised and regulated by the UK Financial Conduct Authority. Its directors and other corporate details are listed in the table below:

Name	Enterprise Ventures Limited
Directors	Mark Payton, Martin Glanfield, Matthew Mead, Julian Viggars, Andrew Simpson and Jonathan Diggines
Address	Preston Technology Management Centre, Marsh Lane, Preston, Lancashire, PR1 8UQ
Website	www.merciatech.co.uk
Place of incorporation	England and Wales
Registered number	03249066
Activities	Activities of venture and development capital companies

Mercia is a public limited company incorporated in England and Wales. Mercia’s shares are admitted to trading on AIM. Its directors and other corporate details are listed in the table below:

Name	Mercia Technologies PLC
Directors	Mark Payton, Raymond Chamberlain, Martin Glanfield, Matthew Mead, Ian Metcalfe, Susan Searle and Jonathan Diggines
Address	Forward House, 17 High Street, Henley In Arden, Warwickshire, B95 5AA
Website	www.merciatech.co.uk
Place of incorporation	England and Wales
Registered number	09223445
Activities	Activities of venture and development capital companies

As at the close of business on the disclosure date, Julian Viggars (who is both a Director of the Company and a director of EVL) held 118,321 Mercia shares and Mrs Emma Viggars, a member of Julian Viggars' immediate family, held a further 75,000 Mercia shares. Julian Viggars also held options to subscribe for 400,000 Mercia shares (100,000 of which were awarded to Julian Viggars on 24 July 2017).

Save as disclosed in this document, there is no agreement, arrangement, or understanding between any member of the Concert Party and any person acting in concert with any of them and any of the Independent Directors, recent directors, Shareholders or recent shareholders having any connection with or dependence upon the Placing and Rule 9 Waiver.

## 2.2. Interests of the Concert Party

As at the disclosure date, the members of the Concert Party have the following interests in existing Ordinary Shares.

	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital</i>
Woodford	22,863,739	25.96%
RisingStars Growth Fund II	2,798,999	3.18%
Finance Yorkshire Seedcorn LP	2,249,665	2.55%
South Yorkshire Investment Fund	1,158,999	1.32%
<b>TOTAL</b>	29,071,402	33.01%

On completion of the issue and allotment of the Main Placing Shares, the members of the Concert Party will have the following interests in Ordinary Shares.

	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital</i>
Woodford	22,863,739	23.58%
RisingStars Growth Fund II	2,798,999	2.89%
Finance Yorkshire Seedcorn LP	2,249,665	2.32%
South Yorkshire Investment Fund	1,158,999	1.20%
<b>TOTAL</b>	29,071,402	29.99%

On completion of the issue and allotment of the WCP Shares and Admission, the members of the Concert Party will have the following interests in Ordinary Shares.

	<i>Number of Ordinary Shares</i>	<i>Percentage of Enlarged Share Capital</i>
Woodford	25,085,961	25.30%
RisingStars Growth Fund II	2,798,999	2.82%
Finance Yorkshire Seedcorn LP	2,249,665	2.27%
South Yorkshire Investment Fund	1,158,999	1.17%

<b>TOTAL</b>	31,293,624	31.56%
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The maximum controlling position of the Concert Party following Admission is expected to be 31,293,624 Ordinary Shares, representing 31.56% of the Enlarged Share Capital. This is based on the following assumptions:

- (1) completion of Admission and the Placing takes place and all Placing Shares are issued (including all of the Main Placing Shares to new and existing institutional shareholders other than the Concert Party and all of the WCP Shares to Woodford);
- (2) there is no other issue of shares by the Company, whether pursuant to an exercise of options or otherwise, and there is no other change to the Concert Party's holding of Ordinary Shares;
- (3) the Concert Party does not acquire any Ordinary Shares other than the WCP Shares (noting that without a waiver of the obligation of the Concert Party under Rule 9 of the Takeover Code, such further acquisition would require the Concert Party to make a general offer for the balance of ordinary Shares in issue at the time).

Woodford have confirmed that they will finance the subscription with their respective existing cash resources.

### **2.3. Intentions of the Concert Party**

Woodford have confirmed that there is no agreement, arrangement or understanding for the transfer of their WCP Shares.

The members of the Concert Party have confirmed that there is no intention to seek any changes in respect of: (i) continued employment of employees and management of the Group, including any material change in conditions of employment (ii) the location of the Company's place of business; (iii) employer contributions into any of the Company's pension schemes, the accrual of benefits for existing members, nor the admission of new members; or (iv) redeployment of the Company's fixed assets.

The members of the Concert Party have confirmed that there is no intention following Admission to modify the strategic plans for the Group set out in paragraph 2.4 of the letter from the Chairman of the Company in this document.

The members of the Concert Party have confirmed that there is no intention that would affect the maintenance of the existing trading securities of the Company on AIM.

Each member of the Concert Party also confirmed that as a result of and following completion of the Placing, it does not intend to change its business strategy and that as a result of and following completion of the Placing there is no intention to discontinue the employment of its existing employees and management, nor will there be any material change in their conditions of employment.

### **3. MIDDLE MARKET QUOTATIONS**

The following table sets out the middle market quotations for an existing Ordinary Share, as derived from the Daily Official List of the London Stock Exchange, for the first business day of each of the six months immediately preceding the date of this document and for 11 December 2017 (being the latest practicable date prior to the publication of this document):

<b>Date</b>	<b>existing Ordinary Share price (pence)</b>
3 July 2017	310.250
1 August 2017	324.875
1 September 2017	261.250

2 October 2017	280.000
1 November 2017	232.500
1 December 2017	277.500
11 December 2017	257.125

#### 4. DEALINGS DURING THE DISCLOSURE PERIOD

The following table sets out the dealings during the disclosure period of the members of the Concert Party, any person acting in concert with any member of the Concert Party, or any directors of any member of the Concert Party:

<b>Date</b>	<b>Relevant Concert Party</b>	<b>Description of the dealing</b>	<b>Number of Shares</b>
12/07/17	Woodford	bought	50,000
27/06/17	Woodford	bought	20,000
16/06/17	Woodford	bought	32,703
16/06/17	Woodford	bought	6,877
15/06/17	Woodford	bought	17,297
15/06/17	Woodford	bought	3,638
14/06/17	Woodford	bought	25,000
14/06/17	Woodford	bought	4,485
13/06/17	Woodford	bought	10,000
01/06/17	Woodford	bought	50,000
25/05/17	Woodford	bought	150,000
24/05/17	Woodford	bought	100,000
19/05/17	Woodford	bought	100,000
15/05/17	Woodford	sold	32,000
15/05/17	Woodford	bought	32,000
15/05/17	Woodford	bought	200,000
08/05/17	Woodford	bought	40,237
02/05/17	Woodford	bought	15,178
28/04/17	Woodford	bought	9,428
20/04/17	Woodford	bought	50,000
20/04/17	Woodford	bought	185,157
28/03/17	Woodford	bought	1,304
27/03/17	Woodford	bought	3,033
24/03/17	Woodford	bought	10,065
23/03/17	Woodford	bought	70,379
08/03/17	Woodford	bought	12,701
03/03/17	Woodford	bought	1,299
03/03/17	Woodford	bought	2,564

<b>Date</b>	<b>Relevant Concert Party</b>	<b>Description of the dealing</b>	<b>Number of Shares</b>
02/03/17	Woodford	bought	3,436
01/03/17	Woodford	bought	1,000,000
01/03/17	Woodford	bought	300,000
01/03/17	Woodford	bought	150,000
01/03/17	Woodford	bought	120,000
24/01/17	Woodford	bought	62,719
23/01/17	Woodford	bought	2,183
20/01/17	Woodford	bought	7,364
19/01/17	Woodford	bought	10,376
17/01/17	Woodford	bought	10,611
16/01/17	Woodford	bought	6,747
09/01/17	Woodford	bought	16,003
06/01/17	Woodford	bought	9,163
05/01/17	Woodford	bought	2,978
04/01/17	Woodford	bought	5,233
03/01/17	Woodford	bought	2,137
30/12/16	Woodford	bought	2,000
28/12/16	Woodford	bought	2,500
22/12/16	Woodford	bought	4,239
21/12/16	Woodford	bought	2,500
20/12/16	Woodford	bought	5,522
19/12/16	Woodford	bought	1,500
16/12/16	Woodford	bought	11,225

## **5. ADDITIONAL DISCLOSURES REQUIRED BY THE TAKEOVER CODE**

At the close of business on the disclosure date, save as disclosed in this Additional Information section:

- (a) no member of the Concert Party, nor any person acting in concert with any member of the Concert Party, nor any directors of any member of the Concert Party (nor any members of such directors respective immediate families, related trusts or connected persons), had any interest in or a right to subscribe for, or had any short position in relation to, any relevant securities of the Company, nor had any such person dealt in any relevant securities of the Company during the disclosure period;
- (b) no member of the Concert Party nor any person acting in concert with any member of the Concert Party had borrowed or lent any relevant securities of the Company (including, for these purposes, under any financial collateral arrangements of the kind referred to in Note 4 on Rule 4.6 of the Takeover Code), save for any borrowed shares which have either been on-lent or sold;
- (c) neither the Company nor any person acting in concert with the Company nor any of the Directors (nor any members of the Directors' respective immediate families, related trusts or connected persons) had any interest in or right to subscribe for, or had any short position in relation to, any

relevant securities in any member of the Concert Party, nor had such persons dealt in any relevant securities in any member of the Concert Party during the disclosure period;

- (d) neither the Company nor any person acting in concert with the Company had borrowed or lent any relevant securities in any member of the Concert Party (including, for these purposes, under any financial collateral arrangements of the kind referred to in Note 4 on Rule 4.6 of the Takeover Code), save for any borrowed shares which have either been on-lent or sold;
- (e) other than as set out in this section, neither the Company nor any person acting in concert with the Company nor any of the Directors (nor any members of such Directors' respective immediate families, related trusts or connected persons) had any interest in or right to subscribe for, or had any short position in relation to any relevant securities of the Company, nor has any such person dealt in any such securities during the disclosure period;
- (f) neither the Company nor any person acting in concert with the Company had borrowed or lent any relevant securities of the Company, save for any borrowed shares which have either been on-lent or sold;
- (g) no incentivisation arrangements have been entered into and there are no proposals as to any incentivisation arrangements between the Concert Party (on the one hand) and the Directors (on the other hand) requiring to be disclosed under Rule 16.2 of the Takeover Code;
- (h) no member of the Concert Party nor any person acting in concert with them has entered into any agreement, arrangement or understanding (including any compensation arrangement) with any of the Directors, recent directors of the Company, Shareholders, recent Shareholders or any other person interested or recently interested in existing Ordinary Shares which are connected with or dependent upon the outcome of the Placing or Rule 9 Waiver; and
- (i) no member of the Concert Party has entered into any agreement, arrangement or understanding to transfer to any other person any interest acquired in the Company pursuant to the Placing.

## **6. MATERIAL CONTRACTS**

The following are the material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by the Company within the two years prior to the date of this document.

### **6.1. MarKen Acquisition**

Pursuant to an asset purchase agreement dated 30 June 2017, Xeros High Performance Work Wear, Inc acquired the business and assets of MarKen enterprises, a Nevada corporation, for an initial cash consideration of US\$750,000, with a further earn-out cash consideration of up to US\$250,000 in aggregate payable in two instalments following respectively the first and second anniversaries of completion. Xeros, Inc is guaranteeing the performance by the buyer of its obligations under the agreement. The agreement is governed by the laws of the State of Delaware.

### **6.2. Placing Agreement**

The Company has entered into the Placing Agreement, details of which are set out in paragraph 6.2 of the letter from the Chairman of the Company in this document.

## **7. DIRECTORS' SERVICE CONTRACTS**

John Samuel was appointed non-executive Director under a letter of appointment dated 18 March 2014. Under his letter of appointment, John Samuel is paid an annual fee of £60,000 and reimbursement of reasonable expenses. The term of the appointment was for an initial term of three years commencing on 18 March 2014 and thereafter shall continue until terminated.

Mark Nichols entered into a service agreement with the Company effective as of 14 September 2015 whereby he was appointed Chief Executive Officer of the Company on a full-time basis. Mark Nichols is paid a salary of £225,500 per annum. The service agreement will continue until terminated on six months' notice by either party and provides, amongst other things, for Mark Nichols' entitlement to participate in the Company's health insurance and pension schemes and, at the discretion of the Board, in the Company's share option incentive and annual bonus.

Paul Denney entered into a service agreement with the Company effective as of 01 October 2016 whereby he was appointed Chief Financial Officer of the Company on a full-time basis. Paul Denney is paid a salary of £155,000 per annum. The service agreement will continue until terminated on six months' notice by either party and provides, amongst other things, for Paul Denney's entitlement to participate in the Company's share incentive, health insurance and, at the discretion of the Board, in the Company's share option incentive and annual bonus.

Julian Viggars was appointed non-executive Director under a letter of appointment dated 18 March 2014. Under his letter of appointment, Julian Viggars is paid an annual fee and reimbursement of reasonable expenses. The term of the appointment was for an initial term of three years commencing on 18 March 2014 and thereafter shall continue until terminated. Julian Viggars is currently paid an annual fee of £30,000 (and payments are made to EVL).

Simon Richard Ellis was appointed non-executive Director under a letter of appointment dated 21 October 2014. Under his letter of appointment, Simon Richard Ellis is paid an annual fee of £30,000 and reimbursement of reasonable expenses. The term of the appointment was for an initial term of three years commencing on 21 October 2014 and thereafter shall continue until terminated.

Stephen Taylor was appointed non-executive Director under a letter of appointment dated 13 February 2017. Under his letter of appointment, Stephen Taylor is paid an annual fee of £20,000 and reimbursement of reasonable expenses. The term of the appointment was for an initial term of three years commencing on 13 February 2017 and thereafter shall continue until terminated.

## **8. CONSENTS**

The nominated adviser, joint broker and joint bookrunner to the Company is Jefferies, which is authorised and regulated in the UK by the Financial Conduct Authority. Jefferies has given and not withdrawn its written consent to the issue of this document with inclusion herein of references to its name in the form and the context in which it appears.

The joint broker and joint bookrunner to the Company is Berenberg, which is authorised by the German Federal Financial Supervisory Authority and subject to limited regulation in the UK by the Financial Conduct Authority. Berenberg has given and not withdrawn its written consent to the inclusion in this document of reference to its name in the form and context in which it appears.

## **9. INCORPORATION OF INFORMATION BY REFERENCE**

In respect of the Company, the following documents are incorporated by reference in this document, and are available from the Company's website at <https://www.xerostech.com>.

- audited consolidated accounts for the year ended 31 July 2015;
- audited consolidated accounts for the 17 month period ended 31 December 2016; and
- half-year report for the 6 month period ended 30 June 2017 (in compliance with Rule 24.15 of the Takeover Code).

In respect of members of the Concert Party, the following documents have been incorporated by reference in this document in compliance with Rule 24.15 of the Takeover Code:

- the annual reports and accounts of WPCT for the years ended 31 December 2015 and 31 December 2016 as well as an interim report to 30 June 2017. These can be found on Woodford's website at: <https://woodfordfunds.com/funds/wpct/important-documents/>;
- the annual performance data of WEIF at 31 December 2016 is included in Appendix 3 of the prospectus of CF Woodford Investment Fund (being the umbrella company for WEIF), which is available on Woodford's website at: <https://woodfordfunds.com/funds/weif/>. In addition, the periodic performance data of WEIF is set out in the "Fund Facts" section of Woodford's website which can be found at: <https://woodfordfunds.com/funds/weif/fund-facts/>;
- the investment manager periodic market reviews of OI&G are available for download via the "Factsheet" link at: <http://www.omnisinvestments.com/our-fund-range/sector-fund-range/income-growth-fund/>;
- the fund performance data as set out in the "Fund Fact Sheets" of OMWEIF can we found at: <http://www.omglobalinvestors.com/uk-professional/fund-range/WEALTH-SELECT/OLD-MUTUAL-WOODFORD-EQUITY-INCOME-FUND/>
- the annual reports for the years ended 31 March 2016 and 31 March 2017 and interim results to 30 September 2017 of Mercia are available on <https://www.merciatech.co.uk/investor-relations/aim-rule-26/>. Information relating to EVL is included in Mercia's reports as a result of the acquisition by Mercia of Enterprise Ventures Group Limited on 9 March 2016, resulting in EVL becoming a wholly-owned subsidiary of Mercia.

Shareholders or other recipients of this document may request copies of the information incorporated by reference from the Company at its registered office at Unit 2, Evolution, Advanced Manufacturing Park, Whittle Way, Catcliffe, Rotherham, South Yorkshire S60 5BL, or by telephone at + 44 (0)114 2699 656. Hard copies of the information incorporated by reference will not be sent to Shareholders or other recipients of this document unless requested.

## **10. DOCUMENTS ON DISPLAY AND AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection on request by a Shareholder, person with information rights, or other person to whom this document is sent at the Company's registered office at Unit 2, Evolution, Advanced Manufacturing Park, Whittle Way, Catcliffe, Rotherham, South Yorkshire S60 5BL during normal business hours on any weekday (Saturdays, Sundays and public holidays in the UK excepted) from the date of this document until the conclusion of the General Meeting:

- this document (including the Notice of General Meeting)
- the related announcement
- the articles of association of the Company and members of the Concert Party
- the Placing Agreement
- the irrevocable undertakings and letter of intent received by the Company from Shareholders
- a consent letter from Jefferies in respect of the Circular
- audited consolidated accounts of the Company for the year ended 31 July 2015
- audited consolidated accounts of the Company for the 17 month period ended 31 December 2016
- half-year report of the Company for the 6 month period ended 30 June 2017

Copies of the documents set out above are also available on the Company's website at the following address: <https://www.xerostech.com/>

# XEROS TECHNOLOGY GROUP PLC

## NOTICE OF GENERAL MEETING

**Notice is given** that a general meeting of Xeros Technology Group plc (“**Company**”) will be held at the offices of Squire Patton Boggs (UK) LLP at 7 Devonshire Square, London EC2M 4YH at 10.00 a.m. on 28 December 2017 for the purposes of considering and, if thought fit, passing the following resolutions of which resolutions 1 to 3 (both inclusive) will be proposed as ordinary resolutions and resolutions 4 and 5 will be proposed as special resolutions. Unless the context otherwise requires, words and expressions used in this notice, including in the notes herein, (the “**Notice**”) have the meanings given to them in the circular to shareholders dated 12 December 2017, of which this Notice forms part.

### ORDINARY RESOLUTIONS

1. That pursuant to section 551 of the Companies Act 2006 (the “**Act**”), the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot Relevant Securities comprising equity securities (as defined in section 560 of the Act) up to an aggregate nominal amount of £13,333.34 pursuant to the Placing of the Main Placing Shares.

In this resolution 1 and in resolution 2, “**Relevant Securities**” means shares in the Company or rights to subscribe for or to convert any security into shares in the Company; a reference to the allotment of Relevant Securities includes the grant of such a right; and a reference to the nominal amount of a Relevant Security which is a right to subscribe for or to convert any security into shares in the Company is to the nominal amount of the shares which may be allotted pursuant to that right.

This authority is in addition to all existing authorities under section 551 of the Act.

2. That subject to the passing of resolutions 1 and 3 and pursuant to section 551 of the Companies Act 2006 (the “**Act**”), the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot Relevant Securities comprising equity securities (as defined in section 560 of the Act) up to an aggregate nominal amount of £3,333.33 pursuant to the Placing of the WCP Shares.

This authority is in addition to all existing authorities under section 551 of the Act (including the authority given pursuant to resolution 1).

3. That the waiver granted by the Panel of any obligation under Rule 9 of the Takeover Code that would otherwise arise on the members of the Concert Party or persons acting in concert with them, individually and/or collectively, to make a general offer to the Shareholders as a result of the allotment and issue to them of 2,222,222 WCP Shares pursuant to the Placing be and is hereby approved.

### SPECIAL RESOLUTIONS

4. That, subject to the passing of resolution 1 and pursuant to section 570 of the Act, the Directors be and are generally empowered to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authorities granted by resolution 1 as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of Main Placing Shares in connection with the Placing.

This power is in addition to all existing powers under section 570 of the Act.

5. That, subject to the passing of resolutions 1 to 4 and pursuant to section 570 of the Act, the Directors be and are generally empowered to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authorities granted by resolution 2 as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of WCP Shares in connection with the Placing.

This power is in addition to all existing powers under section 570 of the Act (including the power given pursuant to resolution 4).

By order of the board

**Paul Michael Denney**

12 December 2017

**Registered office:** Unit 2, Evolution, Advanced Manufacturing Park, Whittle Way, Catcliffe, Rotherham, South Yorkshire S60 5BL

**Registered in England and Wales No. 08684474**

## Notes

### Entitlement to attend and vote

1. The right to vote at the meeting is determined by reference to the register of members. Only those shareholders registered in the register of members of the Company as at 6.00 p.m. on 22 December 2017 (or, if the meeting is adjourned, 6.00 p.m. on the date which is two working days before the date of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after that time shall be disregarded in determining the rights of any person to attend or vote (and the number of votes they may cast) at the meeting.

A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution.

Voting on all the Resolutions will be taken by way of a poll. The Whitewash Resolution will be passed if approved by a simple majority of votes cast by Independent Shareholders.

### Proxies

2. A shareholder is entitled to appoint another person as his or her proxy to exercise all or any of his or her rights to attend and to speak and vote at the meeting. A proxy need not be a shareholder of the Company.

A shareholder may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. Failure to specify the number of shares each proxy appointment relates to or specifying a number which when taken together with the numbers of shares set out in the other proxy appointments is in excess of the number of shares held by the shareholder may result in the proxy appointment being invalid.

A proxy may only be appointed in accordance with the procedures set out in notes 3 and 4 below and the notes to the proxy form. The appointment of a proxy will not preclude a shareholder from attending and voting in person at the meeting. If a shareholder has appointed a proxy and attends the meeting in person, such proxy appointment will automatically be terminated.

If no voting indication is given, your proxy will vote or abstain from voting at his or her decision. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.

In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Company's registrar, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen B63 3DA and in the case of a member which is a corporation, the revocation notice must be executed in accordance with note 5 below. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice and must be received by the Company's registrars not less than 48 hours before the time fixed for the holding of the meeting or any adjourned meeting (or in the case of a poll before the time appointed for taking the poll) at which the proxy is to attend, speak and to vote provided that in calculating such periods no account shall be taken of any part of a day that is not a working day. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

3. A form of proxy is enclosed. When appointing more than one proxy, complete a separate proxy form in relation to each appointment. Additional proxy forms may be obtained by contacting the Company's registrar on 0121 585 1131 or the proxy form may be photocopied. State clearly on each proxy form the number of shares in relation to which the proxy is appointed.

To be valid, a proxy form must be received by post or (during normal business hours only) by hand at the offices of the Company's registrar, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen B63 3DA no later than 10.00 a.m. on 22 December 2017 (or, if the meeting is adjourned, no later than 48 hours before the time of any adjourned meeting) (excluding any part of a day that is not a business day).

Any power of attorney or any other authority under which the form of proxy is signed (or duly certified copy of such power or authority) must be included with the form of proxy.

4. CREST members who wish to appoint a proxy or proxies for the meeting (or any adjournment of it) through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by Neville Registrars (ID 7RA11) no later than 10.00 a.m. on 22 December 2017 (or, if the meeting is adjourned, no later than 48 hours before the time of any adjourned meeting) (excluding any part of a day that is not a business day). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Neville Registrars is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST

member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat a CREST Proxy Instruction as invalid in the circumstances set out in Regulation 35(5)(a) of the Certificated Securities Regulations 2001.

#### **Corporate representatives**

5. A shareholder which is a corporation may authorise one or more persons to act as its representative(s) at the meeting. Each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual shareholder, provided that (where there is more than one representative and the vote is otherwise than on a show of hands) they do not do so in relation to the same shares.

A corporation's form of proxy must be executed pursuant to the terms of section 44 of the Companies Act 2006 or under the hand of a duly authorised officer or attorney.

#### **Share capital**

6. As at the date of this document, the Company's issued share capital comprised 88,058,844 ordinary shares of 0.15 pence each ("**Ordinary Share**"). Each Ordinary Share carries the right to vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at the date of this document is 88,058,844.