

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 as to 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 from another appropriately authorised independent financial adviser if you are resident in a territory outside the United Kingdom. The whole of this document should be read.

If you have sold or transferred all of your Ordinary Shares in MedaPhor Group plc (the “**Company**”) please send 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 onward transmission to the purchaser or transferee. However, these documents should not be forwarded or transmitted into any jurisdiction where such act would constitute a violation of the relevant laws of such jurisdiction. If you have sold or transferred only part of your holding of Ordinary Shares, you should retain these documents and consult the bank, stockbroker or other agent through whom the sale or transfer was effected.

The Placing Shares will only be available to qualified investors for the purposes of the Prospectus Rules or otherwise in circumstances not resulting in an offer of transferable securities to the public under section 102B of FSMA. The Placing does not constitute an offer to the public requiring an approved prospectus under section 85 of FSMA and accordingly this document does not constitute a prospectus for the purposes of the Prospectus Rules made by the Financial Conduct Authority of the United Kingdom (“**FCA**”) pursuant to sections 73A(1) and (4) of FSMA and has not been pre-approved by the FCA pursuant to sections 85 and 87 of FSMA, the London Stock Exchange, any securities commission or any other authority or regulatory body. In addition this document does not constitute an admission document drawn up in accordance with the AIM Rules for Companies.

MedaPhor Group plc

(Incorporated in England and Wales under the Companies Act 1985 with registered no. 09028611)

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

Your attention is drawn to the letter from the Chairman of the Company which is set out on pages 5 to 16 (inclusive) of this document and which recommends you to vote in favour of the Resolutions to be proposed at the General Meeting referred to below.

Notice of a General Meeting of the Company, to be held at 44 Southampton Buildings, London WC2A 1AP, at 10.00 a.m. on 5 October 2017, is set out at the end of this document. To be valid, the accompanying Form of Proxy for use in connection with the General Meeting should be completed, signed and returned as soon as possible and, in any event, so as to reach the Company’s registrars, Capita, by not later than 10.00 a.m. on 3 October 2017 (or, in the case of an adjourned meeting, no later than 48 hours before the time of such meeting, excluding any part of a day that is not a working day). Completion and return of Forms of Proxy will not preclude Shareholders from attending and voting at the General Meeting should they so wish.

Any person entitled to receive a copy of documents and information relating to the Rule 9 Waiver, including this document, is entitled to receive such documents in hard copy form. Such person may request that all future documents and information in relation to the Rule 9 Waiver are sent to them in hard copy form. You may request a hard copy of this document and/or any information incorporated into this document by reference to another source by contacting the Company at MedaPhor Group plc, The Medicentre, Heath Park, Cardiff, Wales CF14 4UJ.

The distribution of this document in certain jurisdictions may be restricted by law. Accordingly, this document may not be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons outside the UK into

whose domain this document comes should inform themselves about and observe any such restrictions.

This document does not constitute an offer to buy or subscribe for, or the solicitation of an offer to buy or subscribe for, Placing Shares in any jurisdiction in which such offer or solicitation is unlawful. The Placing Shares have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) or under the securities laws of any state of the United States nor do they qualify for distribution under any of the relevant securities laws of Canada, Australia, the Republic of South Africa or Japan. Accordingly, the Placing Shares may not, directly or indirectly, be offered, sold or taken up, delivered or transferred in or into the United States, Canada, Australia, the Republic of South Africa or Japan. The distribution of this document outside the United Kingdom may be restricted by law and therefore persons outside the United Kingdom into whose possession this document has come should inform themselves and observe any restrictions as to the Transaction or the distribution of this document.

The Existing Ordinary Shares of the Company are admitted to trading on AIM. Application will be made to the London Stock Exchange for the Placing Shares and Consideration Shares (when issued) to be admitted to trading on AIM. It is expected, subject to, *inter alia*, the passing of the Resolutions at the General Meeting, that admission of the Placing Shares and Completion Consideration Shares will become effective and that dealings will commence on 6 October 2017. The Placing Shares and Consideration Shares will, when issued, rank in full for all dividends and other distributions declared, made or paid on the Ordinary Shares and otherwise rank *pari passu* in all respects with the Existing Ordinary Shares.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority (being the FCA acting as competent authority for the purposes of Part V of FSMA) (“UKLA”). A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Neither the London Stock Exchange nor the UKLA has examined or approved the contents of this document. The AIM Rules for Companies are less demanding than those of the Official List of the UKLA. It is emphasised that no application is being made for admission of the Existing Ordinary Shares, the Placing Shares or the Consideration Shares (when issued) to the Official List of the UKLA.

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”, “anticipates”, “projects”, “expects”, “intends”, “may”, “will”, “seeks”, “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. By their nature, forward-looking statements involve risks and uncertainties because they relate to 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 development 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 (other than in accordance with their legal or regulatory obligations) neither the Company, nor Cenkos nor any of their respective associates, directors, officers or advisers undertakes any obligation to update such statements. 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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PLACING STATISTICS

Placing Price	12.5p
Number of Existing Ordinary Shares	34,224,158
Number of Completion Consideration Shares to be issued pursuant to the Acquisition on Admission	12,351,961
Number of Placing Shares to be issued pursuant to the Placing	44,125,324
Number of Ordinary Shares in issue immediately following Admission of the Placing Shares and Completion Consideration Shares	90,701,443
Percentage of the Enlarged Share Capital represented by the Placing Shares	48.65%
Percentage of the Enlarged Share Capital represented by the Completion Consideration Shares	13.62%
Maximum number of Retention Shares to be issued pursuant to the Acquisition on the First Anniversary	6,175,975
Maximum number of Warrants to be issued pursuant to the Acquisition	1,357,712
Number of Option Shares to be issued upon the exercise of all the New Options	1,759,415
Gross proceeds of the Placing	Approximately £5.5 million
Estimated net proceeds of the Placing	Approximately £5.0 million

Notes:

In addition, if certain deferred consideration targets are met by Intelligent Ultrasound, on the Due Date:

- a maximum of 681,209 Ordinary Shares may be issued to the Non-EIS Concert Party Share Vendors;
- a maximum of 97,636 Ordinary Shares may be issued to the EIS Concert Party Share Vendors;
- depending on the Relevant Price at the Due Date, such number of Ordinary Shares may be issued to the Other Share Vendors at the Relevant Price or the Issue Price in order to satisfy the Other Share Vendors Deferred Consideration Amount; and
- warrants to subscribe for a maximum of 101,020 Ordinary Shares may be issued to the Warrantholder.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

This document posted to Shareholders	19 September 2017
Latest time and date for receipt of Forms of Proxy	10.00 a.m. on 3 October 2017
General Meeting	10.00 a.m. on 5 October 2017
Admission and dealings in the Completion Consideration Shares and Placing Shares expected to commence on AIM	6 October 2017
Expected date for CREST accounts to be credited for Placing Shares to be held in uncertificated form	6 October 2017
Despatch of definitive share certificates in respect of the Placing Shares to be held in certificated form, if applicable	By 20 October 2017

Notes:

1. Each of the times and dates above are indicative only and if any of the details contained in the timetable above should change, the revised times and dates will be notified to Shareholders by means of an announcement through a Regulatory Information Service.
2. All of the above times refer to London time unless otherwise stated.
3. All events listed in the above timetable in relation to the Placing Shares, Consideration Shares, Consideration Warrants and Option Shares are conditional on the passing at the General Meeting of the Resolutions.

Part I

Letter from the Chairman of MedaPhor Group plc

(Incorporated in England and Wales under the Companies Act 1985 with registered no. 09028611)

Directors:

Riccardo Pigliucci *(Non-Executive Chairman)*
Stuart Gall *(Chief Executive Officer)*
Wilson Jennings *(Finance Director)*
Nicholas Sleep *(Chief Technical Officer)*
Ian Whittaker *(Chief Operating Officer)*
Nazar Amso *(Non-Executive Director)*
David Baynes *(Non-Executive Director)*
Nicholas Avis *(Non-Executive Director)*

Registered office:

The Medicentre
Heath Park
Cardiff
Wales
CF14 4UJ

19 September 2017

To the holders of Ordinary Shares and, for information purposes, to the holder of options over Ordinary Shares

Dear Shareholder

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

1. Introduction

The Company has today announced a conditional Placing to raise up to approximately £5.5 million before expenses by the issue and allotment by the Company of 44,125,324 new Ordinary Shares at the Placing Price. The Company also announced today that it has agreed to conditionally acquire Intelligent Ultrasound Limited for a total consideration of up to £3.6 million. Intelligent Ultrasound develops and sells products and services that make medical ultrasound imaging a more effective diagnostic tool. The consideration payable by the Company under the Acquisition Agreement is up to £3.6 million which will be satisfied predominantly by the issuance of new Ordinary Shares and partly in cash to the vendors of Intelligent Ultrasound as further described in paragraph 4 of this Part I.

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

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

Under Rule 9 of the Takeover Code, the issue of the Placing Shares and the Completion Consideration Shares and potentially the Concert Party Deferred Consideration Shares to the Concert Party and the resultant increase in the Concert Party's percentage holding of Ordinary Shares would normally result in the Concert Party being obliged to make an offer to all

Shareholders to acquire all the Ordinary Shares that it did not already own. The Takeover Panel has agreed to waive this obligation subject to the approval of the Independent Shareholders (as defined below). Your attention is drawn to the section on the Takeover Code contained in paragraph 7 of this Part I.

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

The purpose of this document is to explain the background to, and the reasons for, the Resolutions and the Transaction and to explain why the Board considers the Transaction to be in the best interests of the Company and its Shareholders as a whole, and why the Board recommends that you vote in favour of the Resolutions.

2. MedaPhor Group plc – The Business

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

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

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

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

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

3. Background to, and reasons for, the Transaction

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

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

in development and expand MedaPhor's product range into the larger ultrasound related software market.

The Acquisition is being financed predominantly through the issue of new Ordinary Shares and partly in cash as further described in section 4 of this Part I below. The Placing proceeds are to finance the further development of the Intelligent Ultrasound suite of products, further develop augmented reality products within the Enlarged Group and the working capital requirements of the Enlarged Group. **Shareholders should also be aware that if the Placing does not proceed, the Company cannot be certain that suitable financing will be made available at short notice in the required amounts or on acceptable terms for the working capital requirements of the Group.**

4. Information on Intelligent Ultrasound

Intelligent Ultrasound develops deep-learning based image analysis software for ultrasound. Their products in development are based on sophisticated, proprietary computer algorithms and researched insights into patient, clinician and healthcare provider needs.

Intelligent Ultrasound's financial year end is 30 September. For the year ended 30 September 2016 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies. The unaudited accounts to 30 September 2016 showed that Intelligent Ultrasound made a net loss of £647,763 (2015, loss: £508,765) and had cumulative retained losses of £2,063,233 (2015 retained losses: £1,415,470). Intelligent Ultrasound's unaudited balance sheet, as at 30 September 2016, showed net liabilities of £52,387 (2015: net assets £595,376).

Summary of the Acquisition Agreement

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

On Completion:

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

On the First Anniversary:

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

As to the Deferred Consideration, on the Due Date:

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

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

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

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

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

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

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

If the Company satisfies the Other Share Vendors Deferred Consideration Amount by issuing Ordinary Shares at the Relevant Price, the number of Other Share Vendors Deferred Consideration Relevant Price Shares that will need to be issued to the Other Share Vendors is not currently known. If the Relevant Price is less than the Issue Price, the Other Share Vendors Deferred Consideration Amount can be satisfied at the Company’s election partly in cash and partly by the issue of the Other Share Vendors Deferred Consideration Issue Price Shares which will have an

aggregate nominal value of £7,106. Accordingly, the Company is seeking authority to issue up to 29,931,477 Ordinary Shares, representing 33 per cent. of the Enlarged Share Capital in order to satisfy the Other Share Vendors Deferred Consideration Amount. This authority will only be used in connection with issuing the Other Share Vendors Deferred Consideration Shares.

Certain employees of and consultants to Intelligent Ultrasound have options to subscribe for ordinary shares in Intelligent Ultrasound (the “**Optionholders**”) (the “**IUL Options**”). On Completion:

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

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

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

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

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

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

cover the full extent of the relevant liability and MedaPhor may not have recourse against the vendors of Intelligent Ultrasound in respect of any loss suffered.

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

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

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

5. Details of the Placing

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

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

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

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

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

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

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

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

EIS Control and Independence Requirement and the Transaction

Upon completion of the Transaction, IP Group and Parkwalk, which is wholly owned by IP Group (but whose assets are managed separately and independently of the assets controlled by IP Group), will hold more than 50% of the Ordinary Shares. In the opinion of the Board, this combined holding will not be in breach of the EIS Control and Independence Requirement, because the Ordinary Shares will be held by Parkwalk beneficially on behalf of individual EIS

investors and, while Parkwalk may exercise voting rights on behalf of these investors, Parkwalk does not possess voting rights. Consequently, Parkwalk's shareholding in the Company may be disaggregated from that of IP Group in applying the EIS Control and Independence Requirement and IP Group, on its own, will hold less than 50% of the Ordinary Shares. **If in doubt, Shareholders are advised to take their own independent advice in assessing the merits of the Transaction.**

6. Related Party Transactions

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

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

IP Group through its wholly owned subsidiaries IP2IPO Portfolio and IPVFII beneficially owns 103,798 ordinary shares in Intelligent Ultrasound, which represents 30.0 per cent. of the issued share capital of Intelligent Ultrasound. IP Group, through IP2IPO Portfolio and IPVFII also has a convertible loan with Intelligent Ultrasound which they intend to convert immediately prior to Completion. Following conversion of the convertible loan IP Group will own 40.9 per cent. of the issued share capital of Intelligent Ultrasound. Under the terms of the Acquisition Agreement, IP Group will (through its wholly owned subsidiaries) receive 5,055,320 new Ordinary Shares on Completion, up to 2,527,659 new Ordinary Shares on the First Anniversary and up to a further 609,565 new Ordinary Shares on the Due Date in the event that certain deferred consideration targets are met by Intelligent Ultrasound. As IP Group is an existing substantial shareholder in the Company the Acquisition is deemed a related party transaction.

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

The Directors, save for David Baynes and Stuart Gall, consider, having consulted with Cenkos, the Company's Nominated Adviser for the purposes of the AIM Rules, that the terms of the related party subscription(s) and the Acquisition are fair and reasonable insofar as the shareholders of the Company are concerned. David Baynes, as a director of IP Group, is not deemed independent for the purposes of assessing the related party transactions with IP Group set out above. Mr Gall has a service agreement with a subsidiary of IP Group, as set out in paragraph 9.4.1 of Part IV, and also owns 20,000 ordinary shares in IP Group. Mr Gall and the Independent Directors therefore believe it is appropriate that he does not form part of any fair and reasonable opinion related to IP Group.

7. The Takeover Code

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

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

An offer under Rule 9 must be made in cash and at the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in shares of the company during the 12 months prior to the announcement of the general offer.

As at the date of this document the Concert Party holds directly and indirectly in aggregate 11,721,162 Ordinary Shares, representing approximately 34.25 per cent. of the Existing Ordinary Shares. On Admission, the Concert Party will be directly and indirectly interested in aggregate in 50,180,394 Ordinary Shares, representing approximately 55.32 per cent. of the Enlarged Share Capital. A table showing the interests of the Concert Party in Ordinary Shares on Admission is set out below:

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

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

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

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

Shareholders should be aware that if the Whitewash Resolution is passed and the Placing completes, then following completion of the Transaction, the Concert Party (or their associated investment vehicles) will hold an interest in Ordinary Shares carrying more than 50 per cent. of the voting rights of the Company's voting share capital. Accordingly, the

Concert Party would subsequently be able to increase their interests in the voting rights of the Company without incurring a further obligation under Rule 9 to make a general offer. Individual members of the Concert Party will not however be able to increase their percentage shareholding through a Rule 9 threshold without Takeover Panel consent.

Relationship between the Concert Party members

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

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

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

Rule 9 Waiver

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

8. Intentions of the Concert Party

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

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

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

9. Current trading

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

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

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

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

10. Use of Proceeds

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

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

11. Independent advice provided to the Board

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

12. Board Changes

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

13. General Meeting

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

You will find set out at the end of this document a notice convening a general meeting of the Company to be held at 10.00 a.m. on 5 October 2017 at 44 Southampton Buildings, London WC2A 1AP, at which the following Resolutions will be proposed to approve:

Ordinary Resolutions

1. the Whitewash Resolution;

2. authority for the Directors to allot new Ordinary Shares or grant rights to subscribe for New Ordinary Shares up to a maximum aggregate amount of £964,811 as follows:
 - (a) £123,520 in relation to the Completion Consideration Shares;
 - (b) £8,378 in relation to the Completion Warrants;
 - (c) £61,760 in relation to the Retention Shares;
 - (d) £4,189 in relation to the Retention Warrants;
 - (e) £7,789 in relation to the Concert Party Deferred Consideration Shares;
 - (f) £1,011 in relation to the Deferred Consideration Warrants;
 - (g) £299,315 in relation to the Other Share Vendors Deferred Consideration Shares;
 - (h) £17,595 in relation to the Option Shares; and
 - (i) £441,254 in relation to the Placing Shares;

Special Resolution

3. the disapplication of the statutory pre-emption rights in connection with the allotment of up to 44,125,324 new Ordinary Shares pursuant to the Placing and the granting of the New Options pursuant to the Consultant Option Agreements.

In accordance with the requirements of the Takeover Panel for granting the Rule 9 Waiver in relation to the Transaction, the Whitewash Resolution will be taken on a poll of Independent Shareholders.

To be passed, Resolution 2 (proposed to be passed as an ordinary resolution) will require a simple majority of over 50 per cent. of persons voting in person or on a poll by proxy, and Resolution 3 (proposed to be passed as a special resolution) will require a majority of not less than 75 per cent. of persons voting in person or on a poll by proxy, in favour of the relevant Resolution.

The authorities to be granted pursuant to Resolutions 2 and 3 shall expire on whichever is the earlier of the conclusion of the Annual General Meeting of the Company to be held on 27 September 2018 or the date falling six months from the date of the passing of the Resolutions 2 and 3 (unless renewed, varied or revoked by the Company prior to or on that date) and shall be in addition to the Directors' authorities to allot relevant securities and dis-apply statutory pre-emption rights granted at the Company's Annual General Meeting held on 23 May 2017.

14. Action to be taken

A Form of Proxy is enclosed for use at the General Meeting. Whether or not you intend to be present at the General Meeting you are requested to complete, sign and return the Form of Proxy to the Company's registrars, Capita Asset Services, at PXS, 34 The Registry, Beckenham Road, Beckenham, Kent BR3 4TU by no later than 10.00 a.m. on 3 October 2017 (or, in the case of an adjourned meeting, no later than 48 hours before the time of such meeting, excluding any part of a day that is not a working day). The completion and return of a Form of Proxy will not preclude you from attending the General Meeting and voting in person should you wish to do so.

15. Further Information

Your attention is drawn to the further information set out in Part IV of this document, which provides additional information on the matters set out herein, and to the Company's consolidated financial statements for the two financial years ended 31 December 2015 and 31 December 2016, which are incorporated by reference into this document and are available at <https://www.medaphor.com/investors/financial/reports>. You are advised to read the whole document and not merely rely on key or summarised information in this letter.

16. Recommendation

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

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

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

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

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

Yours faithfully

Riccardo Pigliucci
Chairman

Part II

Financial Information on MedaPhor Group plc

The information listed below relating to the Company is hereby incorporated by reference into this document.

No	Information	Source of Information
1.	Revenue, profit or loss before and after taxation, the charge for tax, extraordinary items, minority interests, the amount absorbed by dividends and earnings and dividends per share for the Company for the year ended 31 December 2015 and the year ended 31 December 2016.	<p>Annual Report & Accounts 2015 and 2016, Consolidated Statement of Comprehensive Income on page 13 for 2015 and page 16 for 2016.</p> <p>If you are reading this document in hard copy, please enter the below web address in your web browser to be brought to the relevant document. If you are reading this document in soft copy, please click on the web address below to be brought to the relevant document.</p> <p>2016</p> <p>https://www.medaphor.com/wp-content/uploads/2016/04/MedaPhor-Annual-Report-2016-and-Notice-of-Annual-General-Meeting-2017_2.pdf</p> <p>2015</p> <p>https://www.medaphor.com/wp-content/uploads/2016/04/MedaPhor-Report-Accounts-2015-and-Notice-of-2016-AGM.pdf</p>
2.	A statement of the assets and liabilities shown in the audited accounts for the Company for the year ended 31 December 2016.	<p>Annual Report & Accounts 2016, Consolidated Balance Sheet on page 19.</p> <p>If you are reading this document in hard copy, please enter the below web address in your web browser to be brought to the relevant document. If you are reading this document in soft copy, please click on the web address below to be brought to the relevant document.</p> <p>https://www.medaphor.com/wp-content/uploads/2016/04/MedaPhor-Annual-Report-2016-and-Notice-of-Annual-General-Meeting-2017_2.pdf</p>
3.	A cash flow statement as provided in the audited accounts for the Company for the year ended 31 December 2016.	<p>Annual Report & Accounts 2016, Consolidated Cash Flow Statement on page 20.</p> <p>If you are reading this document in hard copy, please enter the below web address in your web browser to be brought to the relevant document. If you are reading this document in soft copy, please click on the web address below to be brought to the relevant document.</p> <p>https://www.medaphor.com/wp-content/uploads/2016/04/MedaPhor-Annual-Report-2016-and-Notice-of-Annual-General-Meeting-2017_2.pdf</p>

No	Information	Source of Information
4.	Significant accounting policies together with any points from the notes to the accounts which are of major relevance to an appreciation of the figures.	<p data-bbox="726 179 1410 280">Annual Report 2015 and 2016 and the Notes to the Accounts on pages 19 to 22 for 2015; and pages 22 to 26 for 2016 respectively.</p> <p data-bbox="726 302 1410 470">If you are reading this document in hard copy, please enter the below web address in your web browser to be brought to the relevant document. If you are reading this document in soft copy, please click on the web address below to be brought to the relevant document.</p> <p data-bbox="726 492 790 526">2016</p> <p data-bbox="726 560 1410 660">https://www.medaphor.com/wp-content/uploads/2016/04/MedaPhor-Annual-Report-2016-and-Notice-of-Annual-General-Meeting-2017_2.pdf</p>
5.	The Company's interim results for the half year ended 30 June 2017	<p data-bbox="726 683 790 716">2015</p> <p data-bbox="726 750 1410 851">https://www.medaphor.com/wp-content/uploads/2016/04/MedaPhor-Report-Accounts-2015-and-Notice-of-2016-AGM.pdf</p> <p data-bbox="726 873 1410 974">https://www.medaphor.com/wp-content/uploads/2017/07/MedaPhor-Group-plc-Half-yearly-report-to-30-June-2017-31-July-2017.pdf</p>

The results for the Company for the year ended 31 December 2015 and the year ended 31 December 2016 are available free of charge on the Company's website provided above.

Part III

Information on the Concert Party

1. The Concert Party

- 1 The Concert Party comprises i) IP Group and its wholly owned subsidiaries Fusion Cardiff, IP2IPO, IP2IPO Portfolio, IPVFII and Parkwalk; ii) Technikos; and iii) Nick Hornby, Scobie Ward, George Robinson and Richard Chenevix-Trench who are shareholders in Intelligent Ultrasound and have an interest in Technikos.

2. IP Group

- 2.1 IP Group was incorporated in England and Wales with registered number 04204490 on 24 April 2001 under the Companies Act 1985 as a private company limited by shares with the name De Facto 929 Limited. The Company changed its name to IP2IPO Limited on 22 May 2001 and subsequently to IP2IPO Group Limited on 31 July 2001. On 29 September 2003, the Company was re-registered as a public limited company under the Companies Act 1985 and changed its name to IP2IPO Group plc. On 25 April 2006, the Company changed its name to IP Group plc.

IP Group was established in 2000 to commercialise scientific innovation developed in the UK's leading research institutions. IP Group's business model is to form, or assist in the formation of, spin-out companies based on that innovation, to take a significant minority equity stake in these spin-out companies and then to grow the value of that equity over time by taking an active role in the development of such spin-out companies. IP Group's strategy has been to build significant minority equity stakes across a diversified portfolio of companies within its four main sectors with a view to achieving strong equity returns over the medium to long term. IP Group is listed on the Official List of the UKLA (LSE: IPO) with a market capitalisation of approximately £950 million.

The underlying performance of IP Group and its portfolio companies in the first half of 2017 has been strong. A number of the Group's private companies have successfully completed large fundraisings following significant commercial progress, attracting new investors to their registers. In the first half, IP Group announced a £207m capital raising, the expansion of its business into Australasia, and a firm intention to make an all-share offer for a combination with Touchstone Innovations plc, and completed the acquisition of Parkwalk. IP Group has a strong balance sheet, with net assets now approaching £1bn, and a diverse portfolio comprising a broad range of early to mature businesses across four sectors.

- 2.2 The directors, registered office and other incorporation information of IP Group are as follows:

Name	IP Group plc
Directors	Alan Aubrey David Baynes Greg Smith Mike Townend Doug Liversidge Dr Elaine Sullivan Jonathan Brooks Mike Humphrey Prof Lynn Gladden
Address	The Walbrook Building, 25 Walbrook, London EC4N 8AF
Place of incorporation	England and Wales
Registered number	04204490

- 2.3 IP Group will be subscribing for 16,000,000 Placing Shares as part of the Placing. IP Group intends to use existing cash resources to finance its subscription of Placing Shares. IP Group will be subscribing for Placing Shares through its wholly owned subsidiaries, IP2IPO (5,030,580 Placing Shares), IPVFII (4,800,000 Placing Shares) and Fusion Cardiff (6,169,420 Placing Shares). In addition, Parkwalk a wholly owned subsidiary of IP Group (but whose

assets are managed separately and independently of the assets controlled by IP Group) has also committed to subscribe for 16,000,000 Placing Shares through the Placing. Parkwalk intends to use existing cash resources to finance its subscription of Placing Shares.

- 2.4 IP Group through its wholly owned subsidiaries IP2IPO Portfolio and IPVFI1 beneficially owns 103,798 ordinary shares in Intelligent Ultrasound, which represents 30.0 per cent. of the issued share capital of Intelligent Ultrasound. IP Group (through IP2IPO Portfolio and IPVFI1) also has a convertible loan which they intend to convert as part of the Acquisition. Following conversion of the convertible loan immediately prior to Completion, IP Group will own 40.9 per cent. of the issued share capital of Intelligent Ultrasound. Under the terms of the Acquisition Agreement, IP Group (through its wholly owned subsidiary) will receive 5,055,320 new Ordinary Shares on Admission, up to a further 2,527,659 new Ordinary Shares on the First Anniversary and up to a further 609,565 new Ordinary Shares on the Due Date provided that certain deferred consideration targets are met by Intelligent Ultrasound.
- 2.5 The Directors, registered office and other incorporation information of the wholly owned subsidiaries named above are as follows:

Name	IP2IPO Limited
Directors	Alan Aubrey David Baynes Greg Smith Mike Townend
Address	The Walbrook Building, 25 Walbrook, London EC4N 8AF
Place of incorporation	England and Wales
Registered number	04072979

Name	Fusion IP Cardiff Limited
Directors	David Baynes Nicholas Bourne Peter Grant Greg Smith
Address	The Walbrook Building, 25 Walbrook, London EC4N 8AF
Place of incorporation	England and Wales
Registered number	05844525

Name	IP Venture Fund II L.P. (acting by its general partner, IP Venture Fund II (GP) LLP)
Partners	The European Investment Fund IP2IPO Limited IP Venture Fund II (GP) LLP
Address	The Walbrook Building, 25 Walbrook, London EC4N 8AF
Place of incorporation	England and Wales
Registered number	LP015513

Name	IP2IPO Portfolio L.P.
Partners	IP2IPO Limited IP2IPO Carry Partner Limited IP2IPO Portfolio (GP) Limited
Address	The Walbrook Building, 25 Walbrook, London EC4N 8AF
Place of incorporation	England and Wales
Registered number	LP015513

Name	Parkwalk Advisors Ltd
Directors	Enrico D'Angelo Alastair Kilgour Gordon Lawson Mike Townend Douglas Wright
Address	University House, 11-13 Lower Grosvenor Place, London SW1W 0EX
Place of incorporation	England and Wales
Registered number	06925696

2.6 The Transaction is not expected to have a material effect on IP Group's earnings, assets or liabilities.

2.7 The following documents are incorporated by reference in this document in compliance with Rule 24.15 of the Takeover Code, and are available from IP Group's website at <https://www.ipgroupplc.com/investor-relations/reports-and-presentations>:

2.7.1 IP Group's financial statements for the year ended 31 December 2016 contained in pages 98 to 148 of IP Group's annual report and accounts for the year ended 31 December 2016; and

2.7.2 IP Group's financial statements for the year ended 31 December 2015 contained in pages 96 to 146 of IP Group's annual report and accounts for the year ended 31 December 2015.

3. Technikos

3.1 Technikos is a private equity vehicle specialising in early stage bio-medical technologies. The vehicle was established in 2006 on the back of a minimum 15 year commercialisation agreement with Oxford University's Institute of Biomedical Engineering ("IBME"), which it entered into on 1 October 2007 (the "**IBME Agreement**"). Under the terms of the IBME Agreement, Technikos agreed to fund the capital required to construct a new faculty building for the IBME in return for a 50 per cent. or equivalent share of the University's equity and royalty allocations in relevant spin-out structures from Oxford's Engineering Science Department. Technikos works with Academics as well as Oxford University's technology transfer company (Oxford University Innovation), to support identifying IP or technological projects of commercial value, assisting with the commercialisation of those technologies and contributing investment capital to spin-outs while advising on management and marketing. The IBME Agreement is valid until 2022 at its earliest conclusion, meaning that Technikos will continue to automatically acquire stakes in IBME and relevant Engineering Science spin-out companies as they are created.

3.2 Technikos will not be participating in the Placing. Technikos owns 20,250 ordinary shares in Intelligent Ultrasound, which represents 5.86 per cent. of the issued share capital of Intelligent Ultrasound prior to the conversion of IP Group's convertible loan, details of which are set out in paragraph 2.4 above. Following conversion of the convertible loan immediately prior to Completion, Technikos will own ordinary shares in Intelligent Ultrasound representing 4.81 per cent. of the issued share capital of Intelligent Ultrasound. Under the terms of the Acquisition Agreement, Technikos will receive 594,170 new Ordinary Shares on Admission, up to a further 297,085 new Ordinary Shares on the First Anniversary and up to a further 71,644 new Ordinary Shares on the Due Date provided that certain deferred consideration targets are met by Intelligent Ultrasound.

- 3.3 The Joint Managing Partners of Technikos are Julian Hirst and Will Middleton.
- 3.4 The Transaction is not expected to have a material effect on Technikos' earnings, assets or liabilities.
- 3.5 The following documents are incorporated by reference in this document in compliance with Rule 24.15 of the Takeover Code, and are available from the Company's website at: <https://www.medaphor.com/investors/circulars/>:
- 3.5.1 Technikos's financial statements for the year ended 31 October 2016 contained in pages 5 to 7 of Technikos's annual report and accounts for the year ended 31 October 2016;
- 3.5.2 Technikos's financial statements for the year ended 31 October 2015 contained in pages 5 to 7 of Technikos's annual report and accounts for the year ended 31 October 2015.

4. Individuals

- 4.1 The following individuals are shareholders in Intelligent Ultrasound:

Name	Address
Nick Hornby	34 Sackville Street, London, W15 3ED
Scobie Ward	APT 302A Villa Verde, 16-18 Guildford Road, The Peak, Hong Kong
George Robinson	Somercourt Operations Ltd 1, St Mary Abbots Place, London, W8 6LS
Richard Chenevix-Trench	221 Butlers Wharf Shad Thames, London, SE1 2YE

- 4.2 Each of the individuals set out in in paragraph 4.1 of this Part III, are members of Technikos and carry an economic and voting interest in the company. Furthermore each individual is a high net worth individual or a professional investor who has historically invested in Technikos funding transactions.
- 4.3 None of the individuals set out in in paragraph 4.1 of this Part III will be participating in the Placing. Each individual is a shareholder in Technikos and, under the terms of the Acquisition Agreement, will be receiving new Ordinary Shares on Admission on the First Anniversary and to satisfy its portion of the Deferred Consideration on the Due Date provided certain targets are met by Intelligent Ultrasound as set out below:

Name	Number of ordinary shares held in Intelligent Ultrasound	Percentage of the issued share capital of Intelligent Ultrasound immediately prior to Completion	Number of new Ordinary Shares to be received under the Acquisition Agreement on Admission	Maximum number of new Ordinary Share to be received under the Acquisition Agreement on the First Anniversary	Maximum No. of new Ordinary Shares to be received under the Acquisition Agreement to satisfy relevant portion of the Deferred Consideration
Nick Hornby	3,157	0.75%	92,631	46,315	11,169
Scobie Ward	5,263	1.25%	154,425	77,212	18,620
George Robinson	13,698	3.25%	401,923	200,961	48,463
Richard Chenevix-Trench	5,479	1.30%	160,763	80,381	19,384

- 4.4 The Transaction is not expected to have a material effect on the net worth of the individuals set out in paragraph 4.1 of this Part III.

Part IV

ADDITIONAL INFORMATION

1. Responsibility

- 1.1 The Directors, whose names appear below in paragraph 2 below, accept responsibility for the information contained in this document (including any expressions of opinion) with the exception of any information relating to the Concert Party and, for David Baynes and Stuart Gall only, the recommendation set out in paragraph 16.1 of Part I. To the best of their knowledge and belief, having taken all reasonable care to ensure that such is the case, the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 For the purposes of Rule 19.2 of the Takeover Code only, the directors of IP Group (whose names are set out in paragraph 2.2 of Part III of the document) accept responsibility for the information in relation to IP Group and its subsidiaries, including the intentions of the Concert Party. To the best of their knowledge and belief, having taken all reasonable care to ensure that such is the case, the information contained in this document (including any expressions of opinion) for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.3 For the purposes of Rule 19.2 of the Takeover Code only, the Joint Managing Partners (whose names are set out in paragraph 3.3 of Part III of the document) accept responsibility for the information in relation to Technikos, including the intentions of the Concert Party. To the best of their knowledge and belief, having taken all reasonable care to ensure that such is the case, the information contained in this document (including any expressions of opinion) for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.4 For the purposes of Rule 19.2 of the Takeover Code only, each of Nick Hornby, Scobie Ward, George Robinson and Richard Chenevix-Trench accept responsibility for the information in relation to themselves, including the intentions of the Concert Party. To the best of their knowledge and belief, having taken all reasonable care to ensure that such is the case, the information contained in this document (including any expressions of opinion) for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Directors

Director	Function
Riccardo Pigliucci	<i>(Non-Executive Chairman)</i>
Stuart Gall	<i>(Chief Executive Officer)</i>
Wilson Jennings	<i>(Finance Director)</i>
Nick Sleep	<i>(Chief Technology Officer)</i>
Ian Whittaker	<i>(Chief Operating Officer)</i>
Nazar Amso	<i>(Non-Executive Officer)</i>
David Baynes	<i>(Non-Executive Officer)</i>
Nick Avis	<i>(Non-Executive Officer)</i>

The registered address of the Company is The Medicentre, Heath Park, Cardiff, Wales CF14 4UJ.

3. Interests and Dealings

Directors and other interests

For the purposes of this paragraph 3, the following terms have the following meanings:

- (i) “**acting in concert**” with a party means any such person acting or deemed to be acting in concert with that party for the purposes of the Takeover Code and/or the Rule 9 Waiver;
- (ii) “**connected adviser**” means an organisation advising the Company in relation to the proposals described in Part I of this document or a corporate broker to the Company;

- (iii) “**control**” means an interest, or interests, in shares carrying in aggregate 30 per cent. or more of the voting rights (as defined in the Takeover Code) of a company, irrespective of whether such interest or interests give *de facto* control;
- (iv) “**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 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; and
 - (g) 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;
- (v) being “**interested**” in securities (or having an “**interest**”) in such securities includes where a person:
 - (a) owns them;
 - (b) 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, option or derivative, has the right or option to acquire them or call for their delivery or is under an obligation to take delivery of them, whether the right, option or obligation is conditional or absolute and whether it is in the money or otherwise; or
 - (d) is a 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; and
- (vi) “**relevant securities**” mean Ordinary Shares and securities convertible into, rights to subscribe for, derivatives referenced to and options (including traded options) in respect of, Ordinary Shares and “**relevant security**” shall be construed accordingly.

- 3.1 As at the close of business on 18 September 2017 (being the last practicable date prior to publication of this document), the interests, rights to subscribe and short positions of the Directors, their immediate families and persons connected with them (within the meaning of Part 22 of the Act) in Ordinary Shares (all of which are beneficial unless stated) which would be required to be notified pursuant to Part 22 of the Act and related regulations, or which would be required to be entered in the register maintained under Part 22 of the Act, were set out below.

Director	Number of Ordinary Shares	Percentage of Existing Ordinary Shares	Percentage of current voting rights in the Company
Ricardo Pigliucci	0	0.00%	0.00%
Stuart Gall	40,000	0.12%	0.12%
Wilson Jennings	0	0.00%	0.00%
Nicholas Sleep	50,000	0.15%	0.15%
Ian Whittaker	232,334	0.68%	0.68%
Nazar Amso*	1,084,000	3.17%	3.17%
David Baynes	0	0.00%	0.00%
Nicholas Avis	200,000	0.58%	0.58%

* In addition to this shareholding, Professor Nazar Amso is the beneficial holder of 180,000 Ordinary Shares representing 0.53 per cent. of the issued share capital through The Amso Trust and Professor Amso's spouse holds 120,000 Ordinary Shares representing 0.35 per cent. of the Existing Ordinary Shares.

- 3.2 As at the close of business on 18 September 2017 (being the last practicable date prior to publication of this document), details of share options granted to Directors (and any persons connected with them (within the meaning of section 252 of the Act)) were as set out below:

Director	Interest in share options	Grant Date	Exercise Price (pence)	Expiry Date
Riccardo Pigliucci	216,000	1 May 2013	19.0	1 May 2023
	80,000	30 June 2014	42.5	30 June 2024
Stuart Gall	268,000	1 May 2013	19.0	1 May 2023
	324,000	30 June 2014	42.5	30 June 2024
Wilson Jennings	200,000	30 June 2014	42.5	30 June 2024
Nicholas Sleep	268,000	1 May 2013	19.0	1 May 2023
	260,000	30 June 2014	42.5	30 June 2024
Ian Whittaker	200,000	4 April 2017	20.5	4 April 2027
Nazar Amso	84,000	16 March 2011	16.508	16 March 2021
	80,000	1 May 2013	19.0	1 May 2023
	150,000	30 June 2014	42.5	30 June 2024
David Baynes	n/a	n/a	n/a	n/a
Nicholas Avis	84,000	16 March 2011	16.508	16 March 2021
	40,000	30 June 2014	42.5	30 June 2024

Of the 2,869,058 share options over Ordinary Shares in issue at 18 September 2017, 2,254,000 are held by the Directors as detailed in the table above and the remaining 615,058 are held by employees of the Group.

- 3.3 Assuming that the Transaction is completed on the terms set out in this document, the maximum interest in Ordinary Shares of each of the Directors on Admission assuming no further issues of Ordinary Shares are made by the Company, no exercise of other options are made by other option holders and no disposals of Ordinary Shares are made by any Director will be:

Director	Maximum interest in Ordinary Shares	Maximum percentage of Enlarged Share Capital
Ricardo Pigliucci	0	0.00%
Stuart Gall	40,000	0.04%
Wilson Jennings	0	0.00%
Nick Sleep	50,000	0.06%
Ian Whittaker	232,334	0.26%
Nazar Amso*	1,084,000	1.20%
David Baynes	0	0.00%
Nicholas Avis	200,000	0.22%

* In addition to this shareholding, Professor Nazar Amso is the beneficial holder of 180,000 Ordinary Shares representing 0.20 per cent. of the Enlarged Share Capital through The Amso Trust and Professor Amso's spouse holds 120,000 Ordinary Shares representing 0.13 per cent. of the Enlarged Share Capital.

- 3.4 Save as disclosed in paragraphs 3.10 and 3.11 of this Part IV, as at the close of business on 18 September 2017 (being the last practicable date prior to publication of this document), none of the Concert Party, nor any persons acting in concert with them, had any interests, rights to subscribe or short positions (whether conditional or absolute and whether in money or otherwise), including any short position in a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery in any relevant security of the Company.
- 3.5 As at the close of business on 18 September 2017 (being the last practicable date prior to publication of this document), neither the Company nor any persons acting in concert with the Company had borrowed or lent any relevant securities of the Company.
- 3.6 Save as disclosed in paragraphs 3.1 and 3.2 of this Part IV, as at the close of business on 18 September 2017 (being the last practicable date prior to publication of this document), none of the Directors, their immediate families or person connected with them (within the meaning of Part 22 of the Act and related regulations) nor any persons acting in concert with them, had any interests, rights to subscribe or short positions (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 in any relevant securities of the Company.
- 3.7 As at the close of business on 18 September 2017 (being the last practicable date prior to publication of this document), no person acting in concert with the Company had any interests, rights to subscribe or short positions (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 in relevant securities of the Company.
- 3.8 As at the close of business on 18 September 2017 (being the last practicable date prior to publication of this document), neither Cenkos nor any other connected adviser of the Company (including any person controlling, controlled by or under the same control as it) had any interests, rights to subscribe or short positions in relevant securities of the Company.

3.9 Other than as set out in paragraph 3.1, 3.3 and 3.11 of this Part IV and so far as the Directors are aware, the only persons who, as at the close of business on 18 September 2017 (being the last practicable date prior to publication of this document) and immediately following Admission, are or will be directly or indirectly, interested (within in the meaning of Chapter 5 of the DTR) in 3 per cent. or more of the Ordinary Shares are as follows:

Name of Shareholder	18 September 2017		On Admission	
	Number of Ordinary Shares	% of Existing Share Capital	Number of Ordinary Shares	% of Enlarged Share Capital
The Incorporated Trustees of University College London Hospitals Charities	6,410,156	18.73%	6,410,156	7.07%
Finance Wales Investments (5) (6) Limiteds	4,642,000	13.56%	4,642,000	5.12%
Miton Group	2,200,000	6.43%	2,200,000	2.43%
Wales Life Sciences Investment Fund LP	1,200,000	3.51%	1,200,000	1.32%
Hargreave Hale	1,111,100	3.25%	1,111,000	1.23%

The Concert Party

3.10 At the close of business on 18 September 2017 (being the latest practicable date prior to the publication of this document) the interests of the Concert Party (and the interests of persons connected with it (within the meaning of section 252 of the Act)) in Ordinary Shares is as follows:

Concert Party Member	Number of Ordinary Shares	Percentage of current issued Ordinary Shares	Percentage of current voting rights in the Company
Fusion Cardiff	5,244,455	15.32%	15.32%
IP2IPO	4,276,358	12.50%	12.50%
IPVFII	2,200,349	6.43%	6.43%
IP2IPO Portfolio	0	0.00%	0.00%
Parkwalk	0	0.00%	0.00%
Technikos	0	0.00%	0.00%
Nicholas Hornby	0	0.00%	0.00%
Scobie Ward	0	0.00%	0.00%
George Robinson	0	0.00%	0.00%
Richard Chenevix-Trench	0	0.00%	0.00%

3.11 Assuming the Transaction completes, the Concert Party, on Admission, will have an interest in 50,180,394 Ordinary Shares in aggregate of the Company representing 55.32 per cent. of the Company's Enlarged Share Capital at that date. The interest in Ordinary Shares of the Concert Party, assumes the Placing is fully subscribed and the Acquisition proceeds, and their resulting interest as a percentage of the Enlarged Share Capital is set out below.

Concert Party Member	Interest in Ordinary Shares immediately following Admission	Percentage of the Enlarged Share Capital
Fusion Cardiff	11,413,875	12.58%
IP2IPO	9,306,938	10.26%
IVPF II	8,516,936	9.39%
IP2IPO Portfolio	3,538,733	3.90%
Parkwalk	16,000,000	17.64%
Technikos	594,170	0.66%
Nicholas Hornby	92,631	0.10%
Scobie Ward	154,425	0.17%
George Robinson	401,923	0.44%
Richard Chenevix-Trench	160,763	0.18%
Total	<u>50,180,394</u>	<u>55.32%</u>

3.12 During the period of 12 months preceding 18 September 2017 (being the last practicable date prior to publication of this document) there have been no dealings for value in relevant securities by IP Group (and persons connected with the Concert Party (within the meaning of section 252 of the Act)) or by any directors of companies within the Concert Party.

3.13 The Concert Party has not entered into any agreement, arrangement or understanding:

- (i) with the Independent Directors (or their close relatives and related trusts) which has any connection with or dependence upon the proposals set out in Part I of this document; or
- (ii) for the transfer of any Ordinary Shares acquired by the Concert Party.

3.14 Save for the Acquisition and Placing, the Independent Directors are not aware of any agreement, arrangement or understanding having any connection with or dependence upon the proposals set out in Part I of this document between the Concert Party and any person interested or recently interested in Ordinary Shares, any other recent director of the Company or Cenkos (or any person who is, or is presumed to be, acting in concert with Cenkos).

3.15 Save as disclosed in this paragraph 3:

- (i) the Concert Party is not interested in any relevant securities, does not have a right to subscribe for relevant securities, has not borrowed or lent relevant securities or has not dealt for value in relevant securities during the period of 12 months preceding 18 September 2017 (being the last practicable date prior to publication of this document);
- (ii) no director of a Concert Party member has an interest in any relevant securities nor has a right to subscribe for relevant securities;
- (iii) no person referred to in paragraphs (i) or (ii) above has any short position in relation to relevant securities (whether conditional or absolute and whether in the money or otherwise and 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);
- (iv) neither the Company nor any person acting in concert with the Company has borrowed or lent relevant securities;
- (v) neither the Company nor any person acting in concert with the Company has any interests, rights to subscribe or short positions in the Company;

- (vi) neither the Concert Party nor any person acting in concert with it has lent or borrowed any relevant securities;
- (vii) the Company has not redeemed or purchased any relevant securities during the period of 12 months preceding 18 September 2017 (being the last practicable date prior to publication of this document).

4. Directors' Service Contracts

4.1 Details of the employment agreements, service agreements and letters of appointment currently in place between the Company and the Directors are set out below:

4.1.1 On 15 August 2014, Stuart Gall entered into a contract of employment with the Company under the terms of which he is employed as Chief Executive Officer for a salary of £172,000 per annum. Mr Gall is entitled to an allowance for travelling incurred by him in the performance of his duties. Mr Gall is eligible for a discretionary bonus. Mr Gall is entitled to a pension allowance in equal monthly instalments from the Company of 10 per cent. of his basic salary. Mr Gall is entitled to private medical insurance and death in service insurance cover. The contract of employment is terminable on 6 months' prior written notice by either party. There are restrictive covenants binding Mr Gall for a period of 12 months (apart from a non-competition restrictive covenant which binds Mr Gall for a period of 6 months) from termination of the contract of employment.

4.1.2 On 15 August 2014, Nicholas Sleep entered into a contract of employment with the Company under the terms of which he is employed as Chief Technical Officer for a salary of £139,750 per annum. Mr Sleep is entitled to an allowance for travel and accommodation and other expenses incurred by him in the performance of his duties. Mr Sleep is eligible for a discretionary bonus. Mr Sleep is entitled to a pension allowance in equal monthly instalments from the Company of 10 per cent. of his basic salary. Mr Sleep is entitled to private medical insurance and death in service insurance cover. The contract of employment is terminable on 6 months' prior written notice by either party. There are restrictive covenants binding Mr Sleep for a period of 12 months (apart from a non-competition restrictive covenant which binds Mr Sleep for a period of 6 months) from termination of the contract of employment.

4.1.3 On 15 August 2014, Wilson Jennings entered into a contract of employment with the Company under the terms of which he is employed as Financial Director and Company Secretary for a salary of £127,045 per annum. Mr Jennings is entitled to an allowance for travel and accommodation and other expenses incurred by him in the performance of his duties. Mr Jennings is eligible for a discretionary bonus. Mr Jennings is entitled to a pension allowance in equal monthly instalments from the Company of 10 per cent. of his basic salary. Mr Jennings is entitled to private medical insurance and death in service insurance cover. The contract of employment is terminable on 6 months' prior written notice by either party. There are restrictive covenants binding Mr Jennings for a period of 12 months (apart from a non-competition restrictive covenant which binds Mr Jennings for a period of 6 months) from termination of the contract of employment.

4.1.4 On 19 July 2017, Ian Whittaker entered into a contract of employment with the Company under the terms of which he is employed as Chief Operating Officer for a salary of £129,730 per annum. Mr Whittaker is eligible for a discretionary bonus. Mr Whittaker is entitled to a pension contribution in equal monthly instalments from the Company of £391.20 per annum. Mr Whittaker is entitled to private medical insurance and death in service insurance cover. The contract of employment is terminable on 6 months' prior written notice by either party. There are restrictive covenants binding Mr Whittaker for a period of 12 months (apart from a non-competition restrictive covenant which binds Mr Whittaker for a period of 6 months) from termination of the contract of employment.

Letters of Appointment

4.1.5 On 15 August, 2014 Riccardo Pigliucci entered into a contract for services with the Company under the terms of which he is appointed to act as non-executive director and chairman of the Company. Mr Pigliucci is entitled to a director's fee of £53,750 per annum, payable monthly in arrears. The appointment is terminable at any time on 3 months' prior written notice by either party.

4.1.6 On 15 August, 2014 Nicholas Avis entered into a contract for services with the Company under the terms of which he is appointed to act as non-executive director of the Company. Mr Avis is entitled to a director's fee of £13,480 per annum, payable monthly in arrears. The appointment is terminable at any time on 3 months' prior written notice by either party.

4.1.7 On 15 August, 2014 David Baynes entered into a contract for services with the Company under the terms of which he is appointed to act as non-executive director of the Company. Mr Baynes is entitled to a director's fee of £12,000 per annum, payable quarterly in arrears and paid to IP Group. The appointment is terminable at any time on 3 months' prior written notice by either party.

4.1.8 On 15 August 2014, Professor Nazar Amso entered into a contract for services with the Company under the terms of which he is appointed to act as medical director of the Company in a non-executive capacity. The appointment is terminable at any time on 3 months' prior written notice by either party. There is no annual fee payable in relation to this appointment. A monthly retainer of £5,000 in respect of medical advisory services is payable to Medical and Educational Academy Limited, a company which is wholly owned by Professor Amso's wife.

4.2 Save as set out above, no service contracts have been entered into or amended in the last six months. The aggregate emoluments of the Directors for the year ended 31 December 2016, being the last financial year for which audited financial information has been published, are set out below:

	Salaries & fees £	Pension allowance £	Travel & accommodation allowance £	Other benefits £	Share options (attributable share-based payment charge) £	Total 31 December 2016 £
Nazar Amso	50,000	—	—	—	4,090	54,090
Nicholas Avis	13,480	—	—	—	4,090	17,570
David Baynes	12,000	—	—	—	—	12,000
Stuart Gall	172,000	17,200	14,220	2,950	14,087	220,457
Wilson Jennings	127,045	12,705	23,080	—	10,301	173,131
Riccardo Pigliucci	53,750	—	—	—	4,090	57,840
Nicholas Sleep	139,750	13,975	27,200	597	12,164	193,686
Ian Whittaker	69,054	155	—	—	—	69,209
Total	637,079	44,035	64,500	3,547	48,822	797,983

Fees of £50,000 in respect of medical advisory services were payable to Medical And Educational Academy Limited, a company which is wholly owned by Professor Amso's wife.

Mr Baynes and Mr Gall each hold an interest in IP Group, which is set out in full in paragraph 9.4 of this Part IV. The £12,000 fees in respect of the services provided by Mr Baynes were paid to IP Group.

Mr Whittaker was appointed to the Board on 21 September 2016. Mr Whittaker was CEO of Inventive Medical Limited (IML) which was acquired by the Company on 8 August 2016. The remuneration above in respect of Mr Whittaker relates to the period from the date that IML was acquired to 31 December 2016.

6. No Significant Change

There has been no significant change in the financial or trading position of the Company since the publication of the interim results for the six months ended 30 June 2017.

7. Material Contracts

There are no contracts (not being in the ordinary course of business) entered into by the Company or the Concert Party in the last two years which are or may be material or which contain any provision under which the Company or the Concert Party has any obligation or entitlement which is or may be material as at the date of this document save as follows:

7.1 Acquisition of Inventive Medical Limited

On 2 August 2016, the Company (1) the Incorporated Trustees of University College London Hospitals Charities (“**ITUCLHC**”) (2) Cadboll Holdings Limited (“**Cadboll**”) (3) and Sabre Medical Consultancy LLP (“**Sabre**”) (4) entered into an agreement pursuant to which the Company purchased the entire issued share capital of Inventive Medical Limited (“**IML**”) and IML Finance Ltd (including the benefit of certain loans totalling £2.7 million owned by IML Finance Ltd) (the “**IML Sale Agreement**”). In consideration for the acquisition, the Company issued 4,651,164 Ordinary Shares at 43 pence each on 8 August 2016 (the “**Completion Date**”). Pursuant to the IML Sale Agreement, on the first anniversary of the Completion Date, the Company issued a further 2,325,582 Ordinary Shares at 43 pence each to ITUCLHC on the basis that no warranty and indemnity claims were made by the Company in the 12 month period from the Completion Date.

Cadboll and Sabre gave title and capacity warranties in relation to the shares in IML issued to them immediately prior to completion pursuant to the exercise of their options and ITUCLHC gave title and capacity warranties in relation to the shares they owned in IML Finance Limited. Further, ITUCLHC gave warranties in relation to IML and certain other indemnities. The IML Sale Agreement also contained a tax covenant given by ITUCLHC in favour of the Company which included customary provisions relating to the tax affairs of IML and IML Finance Limited at completion. The maximum aggregate liability of ITUCLHC for all warranty claims, indemnity and tax claims is 100% of the consideration payable to ITUCLHC. The maximum aggregate liability of Cadboll and Sabre for warranty claims made against them was 100% of the consideration payable to Cadboll and Sabre. With the exception of certain claims which are to be satisfied in cash, claims are to be satisfied by an adjustment to the Ordinary Shares received by ITUCLHC, Cadboll and Sabre under the IML Sale Agreement.

The period for bringing claims for breach of warranties was 12 months from the Completion Date (such period has now expired) and claims for breach of tax warranty or the tax covenant can be brought within 3 years of the Completion Date.

ITUCLHC gave covenants to the Company not to compete with the business of IML in the United Kingdom and the United States or to solicit customers or employees of IML for the period of 18 months from the Completion Date. The Company, Cadboll and Sabre also severally covenanted with ITUCLHC that they would not at any time use any corporate or trading name which could suggest a connection with ITUCLHC.

7.2 Patent Infringement Settlement

The Company and SonoSim Inc. and The Regents of University of California reached an agreement on a patent license and patent infringement settlement. As a result, the lawsuit between the parties was dismissed with prejudice on 7 February 2017.

7.3 Acquisition of Intelligent Ultrasound Limited

Please refer to the summary of the Acquisition Agreement at paragraph 4 of Part I.

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

7.4 Placing Agreement

Under the Placing Agreement, Cenkos has agreed to use reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price. The Placing Agreement is conditional, amongst other things, on the passing of the Resolutions and Admission occurring no later than 8.00 a.m. on 6 October 2017 or such later date as Cenkos and the Company may agree being no later than 6 November 2017. The Company shall, on and subject to Admission, pay Cenkos a corporate finance fee of £50,000 together with a commission of between 1.5 to 5 per cent. of the amount equal to the aggregate value of the new Ordinary Shares subscribed for by certain specified Placees at the Placing Price pursuant to the Placing. The Company shall bear its own costs and expenses, and pay the reasonable and properly incurred costs and expenses of Cenkos in relation to and incidental to the Transaction, the allotment and issue of the new Ordinary Shares, Admission, professional fees, costs of printing, advertising and circulating the documents, and any other incidental matter. The Placing Agreement contains warranties and indemnities given by the Company in favour of Cenkos in relation to the Transaction. The Placing Agreement can be terminated in

certain circumstances by Cenkos prior to Admission, in particular, in the event of a material breach of the warranties or on the occurrence of certain force majeure events. The Placing has not been underwritten.

7.5 2016 Placing Agreement

On 31 March 2016, the Company entered into a placing agreement with Cenkos whereby Cenkos agreed to use reasonable endeavours to procure (and did procure) subscribers for 7,111,112 Ordinary Shares at 45 pence per share. The Company paid Cenkos a corporate finance fee of £10,000, a commission of 5 per cent. of the amount equal to the aggregate value of the placing shares subscribed for by placees procured by Cenkos under the placing and a commission of 1 per cent. of the amount equal to the aggregate value of the placing shares subscribed for by IP Group under the placing. The Company bore its own costs and expenses, and paid the reasonable and properly incurred costs and expenses of Cenkos in relation to and incidental to the transaction. The placing agreement contained warranties and indemnities given by the Company in favour of Cenkos in relation to the transaction.

8. Middle market quotations

The table below sets out the middle market quotations for an Ordinary Share, as derived from the AIM Appendix of the London Stock Exchange Daily Official List, on the first business day of each of the six months preceding the date of this document and on 18 September 2017 (being the last practicable date prior to publication of this document):

Date	Price per Ordinary Share
3 April 2017	20.5 pence
2 May 2017	18.5 pence
1 June 2017	15.6 pence
3 July 2017	16.1 pence
1 August 2017	16.3 pence
1 September 2017	14.3 pence
18 September 2017	12.8 pence

9. Additional Information

- 9.1 The total cost and expenses payable by the Company in connection with the Transaction (including professional fees, commissions, the cost of printing and the fees payable to the registrars and the Takeover Panel) are estimated to amount to approximately £0.5 million (excluding VAT).
- 9.2 No inducement fee is payable in respect of the proposals set out in this document.
- 9.3 Cenkos has given and has not withdrawn its written consent to the issue of this document with the references to it in the form and context in which they appear.
- 9.4 Save as set out below no agreement, arrangement or understanding (including any compensation arrangement) exists between IP Group or any person acting in concert with it and any of the Directors, recent directors of the Company, Shareholders or recent shareholders or any person interested or recently interested in shares of the Company having any connection with or dependence upon the proposals set out in this document:
- 9.4.1 On 22 September 2014, Stuart Gall entered into a service agreement with IP2IPO, a wholly owned subsidiary of IP Group under the terms of which he is employed as a senior advisor to IP2IPO for a salary of £21,200. Mr Gall is entitled to receive an additional £3,000 per annum in lieu of any entitlement to receive the benefit of any pension contribution, any holiday entitlement and private medical insurance. In consideration for the in lieu payment, Mr Gall is not entitled to any additional holiday pay. The contract of employment is terminable on 3 months' prior written notice by either party. Mr Gall is entitled to participate in the IP Group annual incentive scheme and the IP Group Long Term Incentive Plan. Mr Gall is entitled to be included in IP2IPO's Life Assurance Scheme and Income Protection Scheme. Mr Gall currently holds 20,000 ordinary shares of 2p each in IP Group.

9.4.2 On 20 March 2014 David Baynes entered into a service agreement with IP Group and his current salary under that service agreement is £265,000. The contract of employment is terminable on 6 months' prior written notice by either party. Mr Baynes is entitled to a pension contribution in equal monthly instalments from IP Group of 10 per cent. of his basic salary. Mr Baynes is entitled to income protection, life assurance and health and travel insurance cover. Mr Baynes is entitled to participate in the IP Group's annual incentive scheme and long term incentive plan.

Mr Baynes currently holds 233,208 ordinary shares of 2p each in IP Group.

- 9.5 No agreement, arrangement or understanding exists whereby the Ordinary Shares held by the Concert Party will be transferred to any other party.
- 9.6 As at the close of business on 18 September 2017 (being the latest practicable date prior to the publication of this document), Cenkos did not hold any Ordinary Shares.
- 9.7 During the 12 months preceding 18 September 2017 (being the last practicable date prior to publication of this document), Cenkos has not been dealing for value in relevant securities, acting as market maker and trading as principal.

10. Obtaining hard copies of information incorporated by reference

You may request a hard copy of any information incorporated into this document by reference by contacting MedaPhor Group plc, The Medicentre, Heath Park, Cardiff, Wales CF14 4UJ, or between 9.00 a.m. and 5.30 p.m. (London time) Monday to Friday on 01895 876 579 from within the UK or +44 1895 876 579 if calling from outside the UK. It is important that you note that unless you make such a request, a hard copy incorporated into this document by reference will not be sent to you.

11. Documents on display

11.1 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 MedaPhor Group plc, The Medicentre, Heath Park, Cardiff, Wales CF14 4UJ 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:

- 11.1.1 the Company's articles of association;
- 11.1.2 IP Group's articles of association;
- 11.1.3 IP2IPO's articles of association;
- 11.1.4 Fusion Cardiff's articles of association;
- 11.1.5 Parkwalk's articles of association;
- 11.1.6 the consent referred to in paragraph 9.3 above;
- 11.1.7 the Placing Agreement;
- 11.1.8 the Acquisition Agreement; and
- 11.1.9 this document.

11.2 Copies of the Company's documents set out above in paragraph 11.1 of this section of the document are also available on the Company's website at the following address: <https://www.medaphor.com/investors/circulars>.

Date: 19 September 2017

DEFINITIONS

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

Acquisition	the acquisition of Intelligent Ultrasound
Acquisition Agreement	the share purchase agreement dated 19 September 2017 entered into between the Company and those vendors named in Schedule 1 of the Acquisition Agreement pursuant to which the Company has agreed to acquire the entire issued and to be issued share capital of Intelligent Ultrasound
Act	Companies Act 2006 as amended
acting in concert	shall have the meaning ascribed thereto in the Takeover Code
Admission	the admission of the Placing Shares and Completion Consideration Shares to trading on AIM in accordance with the AIM Rules for Companies
AIM	the AIM market operated by London Stock Exchange
AIM Rules for Companies	the AIM Rules for Companies and guidance notes as published by London Stock Exchange from time to time
Board or Directors	the directors of the Company
Business Day	a day (other than a Saturday or Sunday) on which banks are open for general business in London
Capita	Capita Registrars Limited
Cenkos	Cenkos Securities plc, with registered number 05210733 and with its registered office at 6.7.8 Tokenhouse Yard, London EC2R 7AS
Company or MedaPhor	MedaPhor Group plc, incorporated in England and Wales under registered number 09028611
Completion	completion of the Acquisition Agreement in accordance with its terms
Completion Consideration Shares	12,351,961 Ordinary Shares
Completion Warrants	warrants to subscribe for 837,795 Ordinary Shares on the terms and conditions of the Warrant Instrument
Concert Party	IP Group, Fusion Cardiff, IP2IPO, IPVFII, IP2IPO Portfolio, Parkwalk, Teknikos, Nicholas Hornby, Scobie Ward, George Robinson and Richard Chenevix-Trench
Concert Party Deferred Consideration Shares	the EIS Concert Party Deferred Consideration Shares and the Non-EIS Concert Party Deferred Consideration Shares
Consideration Shares	the Completion Consideration Shares, the Retention Shares and the Deferred Consideration Shares
Consideration Warrants	the Completion Warrants, the Retention Warrants and the Deferred Consideration Warrants
Consultant Option Agreements	has the meaning given in paragraph 4 of Part I
Deferred Consideration	£258,000
Deferred Consideration Shares	the Concert Party Deferred Consideration Shares and the Other Share Vendors Deferred Consideration Shares
Deferred Consideration Warrants	warrants to subscribe for 101,020 Ordinary Shares on the terms and conditions of the Warrant Instrument
DTR	the Disclosure, Transparency and Guidance Rules being the rules and regulations made by the Financial Conduct Authority in its capacity as the UKLA under Part VI of FSMA, as amended and contained in the UKLA publication of the same name

Due Date	the due date for the payment of the Deferred Consideration as determined in accordance with the Acquisition Agreement, being the later of 15 January 2018 or the Second Due Date (if any);
EIS Concert Party Deferred Consideration Amount	£15,839
EIS Concert Party Deferred Consideration Issue Price Shares	97,636 Ordinary Shares
EIS Concert Party Deferred Consideration Shares	the EIS Concert Party Deferred Consideration Relevant Price Shares or the EIS Concert Party Deferred Consideration Issue Price Shares
EIS Concert Party Share Vendors	Nicholas Hornby, Scobie Ward, George Robinson and Richard Chenevix-Trench
EIS Control and Independence Requirement	has the meaning set out in Part 5, Chapter 4, sections 185(1) and 185(2) of the Income Taxes Act 2007
EMI Share Option Scheme	the EMI Share Option Scheme approved by the Company on 14 August 2014
Enlarged Group	the existing Group and, subject to completion, Intelligent Ultrasound
Enlarged Share Capital	the entire issued share capital of the Company immediately following completion of the Transaction, assuming the Placing is fully subscribed and no further Ordinary Shares are issued following the date of this document (except for Placing Shares and Completion Consideration Shares)
Existing Ordinary Shares	the Ordinary Shares in issue as at the date of this document
First Anniversary	the date falling 12 months from Completion
Form of Proxy	the form of proxy for use at the General Meeting which accompanies this document
Fusion Cardiff	Fusion IP Cardiff Limited, with registered number 05844525 and with its registered office at The Walbrook Building, 25 Walbrook, London EC4N 8AF
General Meeting	the general meeting of the Company, notice of which is set out at the end of this document
Group	the Company and its subsidiaries
Independent Directors	Riccardo Pigiucci, Wilson Jennings, Nicholas Sleep, Ian Whittaker, Nazar Amso and Nicholas Avis
Independent Shareholders	Shareholders excluding the Concert Party
Independent Shares	the Ordinary Shares held by Independent Shareholders
Intelligent Ultrasound	Intelligent Ultrasound Limited, with registered number 08107443 and with its registered office at Innovation Centre 99 Park Drive, Milton Park, Abingdon, Oxfordshire, OX14 4RY
IP2IPO	IP2IPO Limited, with registered number 04072979 and with its registered office at The Walbrook Building, 25 Walbrook, London EC4N 8AF
IP2IPO Portfolio	IP2IPO Portfolio L.P., with registered number LP017872 and acting by its general partner IP2IPO Portfolio (GP) Limited, with registered number 10360684 and with their registered office at The Walbrook Building, 25 Walbrook, London EC4N 8AF
IP Group	IP Group plc, with registered number 4204490 and with its registered office at The Walbrook Building, 25 Walbrook, London EC4N 8AF

IPVFII	IP Venture Fund II L.P., with registered number LP015513 and acting by its general partner IP Venture Fund II (GP) LLP, with registered number OC384792 and with their registered office at The Walbrook Building, 25 Walbrook, London EC4N 8AF
Issue Price	16.22 pence
London Stock Exchange	London Stock Exchange Limited
New Options	the rights to acquire Option Shares to be granted by the Company to certain employees and consultants of Intelligent Ultrasound pursuant to the terms of the EMI Options Agreements and the Consultant Option Agreements
Non-EIS Concert Party Deferred Consideration Shares	681,209 Ordinary Shares
Non-EIS Concert Party Share Vendors	Technikos, IP2IPO Portfolio and IPVFII
Notice of General Meeting	the notice of the General Meeting which is set out at the end of this document
OEM	original equipment manufacturer
Option Shares	the Ordinary Shares to be issued upon the exercise of the New Options
Optionholders	has the meaning given in paragraph 4 of Part I
Ordinary Shares	ordinary shares of 1 pence each in the capital of the Company
Other Share Vendors	the Share Vendors other than the EIS Concert Party Share Vendors and the Non-EIS Concert Party Share Vendors
Other Share Vendors Deferred Consideration Amount	£115,266
Other Share Vendors Deferred Consideration Issue Price Shares	710,534 Ordinary Shares
Other Share Vendors Deferred Consideration Shares	the Other Share Vendors Deferred Consideration Issue Price Shares or the Other Share Vendors Deferred Consideration Relevant Price Shares
Parkwalk	Parkwalk Advisors Ltd, with registered number 06925696 and with its registered office at University House, 11-13 Lower Grosvenor Place, London, SW1W 0EX
Placees	the subscribers for the Placing Shares pursuant to the Placing, being IP Group (through its wholly owned subsidiaries Fusion Cardiff, IP2IPO and IPVFII), Parkwalk, Polar Capital LLP, Lesmoir-Gordan, Boyle and Co Limited, MD Barnard and Co Ltd, WH Ireland Ltd and Rathbone Investment Management
Placing	the placing by the Company of the Placing Shares with the Placees (or their associated investment vehicles), otherwise than on a pre-emptive basis, at the Placing Price
Placing Agreement	the agreement entered into between the Company and Cenkos in respect of the Placing dated 19 September 2017, as described in this document
Placing Price	12.5 pence per new Ordinary Share
Placing Shares	44,125,324 Ordinary Shares to be issued pursuant to the Placing
Relevant Company Securities	shares in the Company (or derivatives referenced thereto) and securities convertible into, rights to subscribe for and options (including traded options) in respect thereof, including, for the avoidance of doubt, the Ordinary Shares

Relevant Price	the average of the closing middle market quotations of the Ordinary Shares in the five Business Days immediately preceding the Due Date as derived from the AIM Appendix to the Daily Official List of the London Stock Exchange;
Resolutions	the resolutions set out in the Notice of General Meeting
Retention Shares	6,175,975 Ordinary Shares
Retention Warrants	warrants to subscribe for 418,897 Ordinary Shares on the terms and conditions of the Warrant Instrument
Rule 9 Waiver	the waiver by the Takeover Panel of the obligation of the Concert Party to make a general offer under Rule 9 of the Takeover Code (which would otherwise arise as a consequence of the Placing and Acquisition) granted by the Takeover Panel conditional upon the approval of the Independent Shareholders by the passing of the Whitewash Resolution on a poll
Second Anniversary	the date falling 24 months from Completion
Second Due Date	has the meaning given in paragraph 4 of Part I
Shareholder(s)	holder(s) of Ordinary Shares
Takeover Code	The City Code on Takeovers and Mergers
Takeover Panel	the Panel on Takeovers and Mergers
Technikos	Technikos LLP, with registered number 00319725 with its registered office at 50 Mark Lane, 4th Floor, London EC3R 7QR
Transaction	together, the Placing, the Acquisition and the Rule 9 Waiver
UK or United Kingdom	the United Kingdom of Great Britain and Northern Ireland
voting rights	means all voting rights attributable to the share capital of the Company which are currently exercisable at a general meeting
Warrant Instrument	the instrument to be executed by the Company on Completion
Warrants	warrants to subscribe for Ordinary Shares on the terms of the Warrant Instrument
Whitewash Resolution	the resolution numbered 1 set out in the Notice of General Meeting

MEDAPHOR GROUP PLC (THE “COMPANY”)

(Incorporated in England and Wales with registered no. 09028611)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a general meeting of the Company will be held at 10.00 a.m. on 5 October 2017 at 44 Southampton Buildings, London WC2A 1AP to consider and, if thought fit, pass the following resolutions: resolution 1 as an ordinary resolution, which will be taken on a poll on which only Independent Shareholders (as defined in the Circular) are entitled to vote; and resolutions 2 and 3, of which resolution 2 will be proposed as an ordinary resolution and resolution 3 will be proposed as a special resolution.

ORDINARY RESOLUTIONS

1. **THAT** the waiver granted by the Panel on Takeovers and Mergers of any requirement under Rule 9 of The City Code on Takeovers and Mergers for the Concert Party and any Member of the Concert Party to make a general offer to shareholders of the Company as a result of subscribing for Placing Shares and/or receiving Consideration Shares up to a maximum of 42,467,690 Ordinary Shares, as is more fully described in the circular dated 19 September 2017 (“Circular”) of which this notice of General Meeting forms part. For the purposes of this resolution, capitalised terms shall have the meaning ascribed to them in the Circular.
2. **THAT** subject to and conditional upon the passing of Resolution 1, in accordance with 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 shares in the Company and/or to grant rights to subscribe for or to convert any security into shares in the Company up to a maximum aggregate nominal amount of £964,811 (being equal to up to 96,481,100 Ordinary Shares) as follows:
 - (a) £123,520 in relation to the Completion Consideration Shares;
 - (b) £8,378 in relation to the Completion Warrants;
 - (c) £61,760 in relation to the Retention Shares;
 - (d) £4,189 in relation to the Retention Warrants;
 - (e) £7,789 in relation to the Concert Party Deferred Consideration Shares;
 - (f) £1,011 in relation to the Deferred Consideration Warrants;
 - (g) £299,315 in relation to the Other Share Vendors Deferred Consideration Shares;
 - (h) £17,595 in relation to the Option Shares; and
 - (i) £441,254 in relation to the Placing Shares,

in each case as defined in the Circular, provided that this authority will expire at whichever is the earlier of the conclusion of the annual general meeting of the Company to be held in 2018 or the date falling six months from the date of the passing of this resolution (unless renewed, varied or revoked by the Company prior to or on that date) but the Company may, before this authority expires, make an offer or agreement which would or might require shares in the Company to be allotted or rights to subscribe for or to convert any security into shares in the Company to be granted after this authority expires and that the Directors may allot shares in the Company or grant rights pursuant to such an offer or agreement as if the authority conferred by this resolution had not expired. This authority is in addition to all existing authorities under section 551 of the Act.

SPECIAL RESOLUTION

3. **THAT** subject to and conditional upon the passing of Resolutions 1 and 2, notwithstanding the provisions of the Articles of Association of the Company, in accordance with section 570 of the Act, the Directors be and are generally empowered to allot equity securities for cash (within the meaning of section 560 of the Act) pursuant to the authority conferred by Resolution 2 above, as if section 561 of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal value of £450,294 (being equal to up to 45,029,400 Ordinary Shares) and shall expire at whichever is the earlier of the conclusion of the annual general meeting of the

Company to be held in 2018 or the date falling six months from the date of passing this resolution (unless previously revoked, varied or renewed) save that the Company may, before this power expires, make an offer or agreement which would or might require equity securities to be allotted for cash after this power expires and the Directors may allot equity securities for cash pursuant to any such offer or agreement as if this power had not expired. This power is in addition to all existing authorities under section 570 of the Act.

BY ORDER OF THE BOARD

Wilson Whitehead Jennings
Company Secretary

Date: 19 September 2017

Registered Office: The Medicentre, Heath Park, Cardiff, Wales CF14 4UJ

Notes

- (i) The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), specifies that only those members registered in the Register of Members of the Company at the close of business on 3 October 2017 (or if the General Meeting is adjourned, members entered on the Register of Members of the Company not later than the close of business which is two working days before the date of the adjourned General Meeting) shall be entitled to attend, speak and vote at the General Meeting in respect of the number of ordinary shares registered in their name at that time. Changes to entries on the Register of Members of the Company after this time shall be disregarded in determining the rights of any person to attend, speak or vote at the General Meeting.
- (ii) A member entitled to attend, speak and vote at the General Meeting is entitled to appoint a proxy to exercise all or any of his/her rights to attend, speak and to vote instead of him/her. A proxy need not be a member of the Company but must attend the General Meeting in person. If a member wishes his/her proxy to speak on his/her behalf at the General Meeting he/she will need to appoint his/her own choice of proxy (not the Chairman) and give his/her instructions directly to them. Completion and return of a form of proxy will not preclude a member from attending, speaking and voting at the General Meeting or any adjournment thereof in person. If a proxy is appointed and the member attends the General Meeting in person, the proxy appointment will automatically be terminated. If you submit more than one valid proxy appointment, the appointment received last before the latest time for receipt of proxies will take precedence.
- (iii) A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please sign and date the form of proxy and attach a schedule listing the names and addresses (in block letters) of all of your proxies, the number of shares in respect of which each proxy is appointed (which, in aggregate, should not exceed the number of shares held by you) and indicating how you wish each proxy to vote or abstain from voting. If you wish to appoint the Chairman as one of your multiple proxies, simply write "the Chairman of the General Meeting".
- (iv) A form of proxy is enclosed and details of how to appoint and direct a proxy to vote on each resolution are set out in the notes to the form of proxy. To be valid the form of proxy must be completed and signed, and lodged with the Registrars of the Company, Capita Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not less than 48 hours before the time fixed for the General Meeting or for any adjournment thereof together with, if appropriate, the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power or authority. In the case of a member which is a company, the form of proxy must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. You can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy.
- (v) In the case of joint holders, the signature of only one of the joint holders is required on the form of proxy. In the event that more than one of the joint holders purports to appoint a proxy, the appointment submitted by the first named on the Register of Members of the Company will be accepted to the exclusion of the other joint holder.
- (vi) Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that, if it is appointing more than one corporate representative, it does not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.
- (vii) CREST (as defined in the Circular) members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment(s) of the General Meeting by using the procedures described in the CREST Manual, being the document of that name issued by Euroclear UK & Ireland ("**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 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 the Company's agent (ID:RA10) no later than 48 hours before the General Meeting. 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 the Company's agent 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 provider(s) 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/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 provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- (viii) 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, and if no voting indication is given, a proxy may vote or abstain from voting at his/her or her discretion. A proxy may vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the General Meeting.
- (ix) In order to revoke a proxy instruction a member will need to send a signed hard copy notice clearly stating your intention to revoke a proxy appointment to Capita Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU together with, if appropriate, the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power or authority. In the case of a member which is a company, the notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.
- (x) Except as provided above, members who have general queries about the General Meeting should write to the Company Secretary at the address of the Company's registered office. You may not use any electronic address provided either in this notice of General Meeting or any related documents (including the annual report and accounts and form of proxy) to communicate with the Company for any purposes other than those expressly stated.

