

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action to be taken you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser duly authorised under the Financial Services and Markets Act 2000, as amended, if you are in the United Kingdom or, if not, another appropriately authorised independent financial adviser.

If you have sold or transferred all of your Existing Ordinary Shares in Collagen Solutions plc, please send this document, together with 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 transmission to the purchaser or transferee. If you have sold part only of your holding of Existing Ordinary Shares in Collagen Solutions plc, you should retain these documents.

The Existing Ordinary Shares are admitted to trading on AIM, a market operated by the London Stock Exchange ("AIM"). Application will be made for the Enlarged Issued Share Capital to be admitted to trading on AIM. The Existing Ordinary Shares are not traded on any other recognised investment exchange and no application has been made for the Enlarged Issued Share Capital to be admitted to trading on any other recognised trading exchange. It is expected that Admission will become effective and that dealings in the Enlarged Issued Share Capital will commence on AIM on 10 December 2014.

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 UK Listing Authority. 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. Each AIM company is required pursuant to the AIM Rules for Companies published by London Stock Exchange plc (the "AIM Rules") to have a nominated adviser. The nominated adviser is required to make a declaration to London Stock Exchange plc on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. London Stock Exchange plc has not itself examined or approved the contents of this document.

The Directors and Proposed Director, whose names appear on page 4 of this document, accept responsibility, individually and collectively, for the information contained in this document. To the best of the knowledge and belief of the Directors and Proposed Director (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

A copy of this document, which is drawn up as an admission document in accordance with the AIM Rules, has been issued in connection with the application for admission to trading on AIM of the Enlarged Issued Share Capital of the Company. This document 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 FSMA and the Prospectus Rules and has not been pre-approved by the UK Listing Authority pursuant to section 85 of FSMA. Copies of this document will be available free of charge to the public during normal business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of Zeus Capital Limited, 82 King Street, Manchester, M2 4WQ and the registered office of the Company, Collagen Solutions plc, Condor House, 10 St. Paul's Churchyard, London, EC4M 8AL from the date of this document until one month from the date of Admission in accordance with the AIM Rules.

The distribution of this document and/or the accompanying Form of Proxy in jurisdictions other than the UK may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any of those restrictions. Any failure to comply with any of those restrictions may constitute a violation of the securities laws of any such jurisdiction.

This document should be read as a whole. Your attention is drawn to the letter from the Chairman which is set out on pages 11 to 20 of this document and which recommends that you vote in favour of the Resolutions, as the Board intend to do, proposed at the General Meeting referred to below and the Risk Factors set out in Part II of this document.

COLLAGEN SOLUTIONS plc

(Incorporated and registered in England and Wales under the Companies Act 2006 with registered number 8446337)

Proposed Acquisition of Southern Lights Ventures 2002 Limited by way of reverse takeover Placing of 85,714,286 new Ordinary Shares at a price of 7 pence per share Admission of the Enlarged Issued Share Capital to trading on AIM and Notice of General Meeting

Nominated Adviser and Joint Broker

Zeus Capital

Joint Broker

PANMURE GORDON & CO

SHARE CAPITAL AT THE DATE OF THIS DOCUMENT AND IMMEDIATELY FOLLOWING COMPLETION OF THE PROPOSALS

Current	<i>Issued and fully paid</i>	
	<i>Number</i>	<i>Amount</i>
<i>Ordinary shares of 1p as at the date of this document</i>	63,826,007	£638,260.07
At Admission		
<i>Ordinary shares of 1p following completion of the Proposals</i>	170,968,865	£1,709,688.65

Notice convening a General Meeting of Collagen Solutions plc to be held at 3 Robroyston Oval, Nova Business Park, Glasgow G33 1AP on 9 December 2014 at 9.00 a.m. is set out at the end of this document. Shareholders will find enclosed with this document a Form of Proxy for use in connection with the General Meeting. To be valid, the Form of Proxy must be signed and returned in accordance with the instructions printed thereon so as to be received by Capita Asset Services, PXS1, 34 Beckenham Road, Kent BR3 4TU as soon as possible but in any event by not later than 9.00 a.m. on 7 December 2014. Completion and posting of the Form of Proxy does not prevent a Shareholder from attending and voting in person at the General Meeting.

Zeus Capital Limited ("Zeus Capital"), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as nominated adviser and broker to Collagen Solutions plc and is acting for no-one else in connection with the Proposals and will not be responsible to anyone other than Collagen Solutions plc for providing the protections afforded to clients of Zeus Capital nor for providing advice in connection with the Proposals or any other matter referred to herein. Zeus Capital has not authorised the contents of or any part of, this document and no liability whatsoever is accepted by Zeus Capital for the accuracy of any information or opinions contained in this document or for the omission of any information.

Apart from the responsibilities and liabilities, if any, which may be imposed on Zeus Capital by FSMA, Zeus Capital accepts no responsibility whatsoever for the contents of this document, including its accuracy, completeness or verification or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company or the Proposals. Zeus Capital accordingly disclaims all and any liability (whether arising in tort under contract or otherwise) (save as referred to above), which it might otherwise have in respect of this document or such statement.

Zeus' responsibilities as Collagen Solutions's nominated adviser and broker under the AIM Rules are owed solely to the London Stock Exchange and are not owed to Collagen Solutions or any Director or Proposed Director or any other person in respect of their decision to acquire Ordinary Shares in reliance on any other part of this document.

Panmure Gordon (UK) Limited ("Panmure Gordon"), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as joint broker to Collagen Solutions plc and is acting for no-one else in connection with the Proposals and will not be responsible to anyone other than Collagen Solutions plc for providing the protections afforded to clients of Panmure Gordon nor for providing advice in connection with the Proposals or any other matter referred to herein. Panmure Gordon has not authorised the contents of or any part of, this document and no liability whatsoever is accepted by Panmure Gordon for the accuracy of any information or opinions contained in this document or for the omission of any information.

Apart from the responsibilities and liabilities, if any, which may be imposed on Panmure Gordon by FSMA, Panmure Gordon accepts no responsibility whatsoever for the contents of this document, including its accuracy, completeness or verification or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company or the Proposals. Panmure Gordon accordingly disclaims all and any liability (whether arising in tort under contract or otherwise) (save as referred to above), which it might otherwise have in respect of this document or such statement.

Panmure Gordon's responsibilities as Collagen Solutions's joint broker under the AIM Rules are owed solely to the London Stock Exchange and are not owed to Collagen Solutions or any Director or Proposed Director or any other person in respect of their decision to acquire Ordinary Shares in reliance on any other part of this document.

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

The distribution of this document outside the UK may be restricted by law. No action has been taken by the Company, Zeus Capital or Panmure Gordon that would permit a public offer of shares in the Company or possession of this document where action for that purpose is required. Persons outside the UK who come into possession of this document should inform themselves about the restrictions relating to the distribution of this document in their particular jurisdiction. Failure to comply with those restrictions may constitute a violation of the securities laws of such jurisdictions.

FORWARD-LOOKING STATEMENTS

Certain statements contained herein constitute forward-looking statements. The forward-looking statements contained herein include statements about the expected effects of the Proposals, the expected timing and scope of the Proposals and other statements other than in relation to historical facts. Forward-looking statements including, without limitation, statements typically containing words such as "intends", "anticipates", "targets", "estimates", "believes", "should", "plans", "will", "expects" and similar expressions or statements that are not historical facts are intended to identify those expressions or statements as forward-looking statements. The statements are based on the current expectations of Collagen Solutions plc and are naturally subject to uncertainty and changes in circumstances. By their nature, forward-looking statements involve risk and uncertainty and the factors described in the context of such forward-looking statements in this document could cause actual results and developments to differ materially from those expressed in or implied by such forward-looking statements. There are also a number of other factors that could cause actual results or developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to, local and global political and economic conditions, interest rate fluctuations (including those from any potential credit rating decline) and legal or regulatory developments and changes. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements.

None of Collagen Solutions plc, Zeus Capital, Panmure Gordon, or any of their respective associates or directors, officers, advisers or the Proposed Director, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied by any forward-looking statements contained herein will actually occur. Other than in accordance with their legal or regulatory obligations (including under the AIM Rules, the Disclosure and Transparency Rules of the Financial Conduct Authority and the City Code on Takeovers and Mergers), neither Collagen Solutions plc, Zeus Capital nor Panmure Gordon is under any obligation and each of them expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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DIRECTORS, PROPOSED DIRECTOR, SECRETARY AND ADVISERS

Directors	David Eric Evans (<i>Chairman</i>) Dr. Stewart White (<i>Chief Executive Officer</i>) Gillian Nancy Black (<i>Chief Financial Officer</i>) Dr. Kevin William Wilson (<i>Non-Executive Director</i>) Malcolm John Gillies (<i>Non-Executive Director</i>) All of: Condor House 10 St Paul's Churchyard London EC4M 8AL
Proposed Director	Brian Geoffrey Bennett (Geoffrey) (<i>Chief Business Officer</i>) Of: Suite 101 21 Browning Street Napier 4110 New Zealand
Company Secretary	Gillian Nancy Black
Company Website	www.collagensolutions.co.uk
Nominated Adviser and Joint Broker	Zeus Capital Limited 23 Berkeley Square London W1J 6HE and 82 King Street Manchester M2 4WQ
Joint Broker	Panmure Gordon (UK) Limited One New Change London EC4M 9AF
Financial Adviser to the Company	Diagnostic Capital Limited Biohub at Alderly Park Merseyside Alderley Park Macclesfield SK10 4TG
Reporting Accountants to the Company	Baker Tilly Corporate Finance LLP 3 Hardman Street Manchester M3 3HF
Solicitors to the Company	Shepherd and Wedderburn LLP 191 West George Street Glasgow G2 2LB

**Solicitors to Zeus Capital
Limited (Nominated Adviser and
Joint Broker)**

DWF LLP
1 Scott Place
2 Hardman Street
Manchester
M3 3AA

Registrars to the Company

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

DEFINITIONS

“Acquisition Agreement”	the conditional acquisition agreement dated 21 November 2014 between Collagen Solutions and the Vendors in relation to the sale and purchase of the entire issued share capital of Southern Lights Biomaterials, further details of which are set out in paragraph 10.1 of Part V of this document
“Acquisition”	the proposed acquisition by the Company of the entire issued share capital of Southern Lights Biomaterials, pursuant to the terms of the Acquisition Agreement
“Act”	the Companies Act 2006
“Additional Consideration”	up to NZ\$4 million (circa £2 million) payable under the terms of the Acquisition Agreement subject to the satisfaction of certain revenue targets, details of which are set out in paragraph 10.1(p) of Part V of this document
“Admission”	admission and commencement of dealings in the Enlarged Share Capital on AIM becoming effective in accordance with rule 6 of the AIM Rules
“Annual Revenues”	for the purposes of the Acquisition Agreement, the revenues of SLB in relation to any Financial Year during the Earn-out Period, as shown in the relevant Earn-out Accounts, prepared in accordance with the terms of the Acquisition Agreement
“AIM”	a market operated by London Stock Exchange
“AIM Rules”	the AIM Rules for Companies published by London Stock Exchange from time to time (including, without limitation, any guidance notes or statements of practice) which govern the rules and responsibilities of companies whose shares are admitted to trading on AIM
“Articles of Association”	the articles of association of the Company
“Base Revenue”	NZ\$2,500,000
“BSE”	Bovine spongiform encephalopathy
“Board” or “Directors”	the board of directors of the Company from time to time
“Cash Consideration”	NZ\$5,000,000 (circa £2,500,000), payable at Completion
“Collbio”	Collagen Solutions (UK) Limited (formerly named Collbio Limited and which changed its name on 19 February 2014) a company incorporated in England and Wales with registered number 8419577
“Company” or “Collagen Solutions”	Collagen Solutions plc, a company registered in England and Wales with registered number 8446337
“Completion”	completion of the Acquisition in accordance with the terms of the Acquisition Agreement
“Concert Party”	those persons as so described in the Company’s Admission Document dated 10 December 2013
“Consideration Shares”	the 21,428,572 new Ordinary Shares to be issued to the Vendors pursuant to the Acquisition Agreement
“Corporate Governance Code”	the UK Corporate Governance Code issued from time to time by the Financial Reporting Council
“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear UK & Ireland Limited is the Operator (as defined in the CREST Regulations)
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI2001 No. 3755), as amended, and any applicable rules made under those regulations

“DTR”	the Disclosure and Transparency Rules made by the UK Listing Authority under Part VI of FSMA
“Earn-out Accounts”	for the purposes of the Acquisition Agreement, the accounts of Southern Lights Biomaterials for each financial year during the Earn-out Period, and being prepared in accordance with the terms of the Acquisition Agreement
“Earn-out Period”	for the purposes of the Acquisition Agreement, the period of four financial years the first ending on 31 March 2015, the second ending on 31 March 2016, the third ending on 31 March 2017, and the fourth ending on 31 March 2018
“EIS”	the Enterprise Investment Scheme
“EMI Options”	options granted under the EMI Scheme as enterprise management incentive options pursuant to the provisions of Schedule 5 to the Income Tax (Earnings and Pensions) Act 2003
“EMI Scheme”	the Collagen Solutions plc 2014 Enterprise Management Incentive Scheme
“Enlarged Group”	the Company and its subsidiaries following Admission as enlarged by the Acquisition
“Enlarged Issued Share Capital”	the entire issued ordinary share capital of the Company as enlarged by the issue of the Consideration Shares and the Placing Shares
“Existing Ordinary Shares”	existing ordinary shares of 1p each in the capital of the Company as at the date of this document
“FDA”	Food and Drug Administration of the United States of America
“Form of Proxy”	the form of proxy enclosed with this document for use by Shareholders in connection with the GM
“FSMA”	the Financial Services and Markets Act 2000, as amended
“General Meeting” or “GM”	the general meeting of the Company, convened for 9.00 a.m. on 9 December 2014, and any adjournment thereof, notice of which is set out at the end of this document
“Group”	the Company and its subsidiaries from time to time
“HMRC”	HM Revenue and Customs
“IFRS”	International Financial Reporting Standards
“January 2014 Admission”	the re-admission to trading on AIM on 2 January 2014 of the Company’s Ordinary Shares following the acquisition of the entire issued share capital of Collbio
“Locked-in Persons”	those persons set out in paragraph 14 of Part I of this document
“London Stock Exchange”	London Stock Exchange plc
“Notice”	the notice of the General Meeting set out at the end of this document
“NZ”	New Zealand
“NZ\$”	the legal currency of New Zealand
“Ordinary Shares”	ordinary shares of 1p each in the capital of the Company
“Options”	options over Ordinary Shares as detailed in paragraphs 6 and 7 of Part V of this document
“Panel”	the Panel on Takeovers and Mergers

“Panmure Gordon”	Panmure Gordon (UK) Limited, a company registered in England and Wales with registered number 04915201
“Placees”	the subscribers for new Placing Shares pursuant to the Placing
“Placing”	the conditional placing of the Placing Shares by Zeus Capital and Panmure Gordon as agents for the Company, pursuant to the Placing Agreement
“Placing Agreement”	the conditional placing agreement dated 21 November 2014 between (1) the Company (2) the Directors (3) the Proposed Director (4) Zeus Capital and (5) Panmure Gordon relating to the Placing, further details of which are set out in paragraph 10 of Part V of this document
“Placing Shares”	the 85,714,286 new Ordinary Shares to be issued pursuant to the Placing
“Placing Price”	7p per Ordinary Share
“Proposals”	the Acquisition, the Placing, the General Meeting and Admission
“Proposed Director”	Brian Geoffrey Bennett
“Prospectus Rules”	the Prospectus Rules made by the UK Listing Authority under Part VI of FSMA relating to offers of securities to the public and admission of securities to trading on a regulated market and as set out in the FCA Handbook
“QCA”	the Quoted Companies Alliance
“QCA Corporate Governance Code”	the Corporate Governance Code for small and mid-sized companies 2013, being the principles of good corporate governance and code of best practice applicable to small and mid-size quoted companies, including AIM Companies, issued by the QCA as amended from time to time
“R&D”	Research and Development
“Registrars”	Capita Registrars Limited of 34 Beckenham Road, Kent BR3 4TU
“Resolutions”	the resolutions to be proposed at the General Meeting, details of which are set out in the Notice
“RIS”	Regulatory Information Service
“Shareholders”	holders of Ordinary Shares
“Southern Lights Biomaterials” or “SLB”	Southern Lights Ventures 2002 Limited, trading as Southern Lights Biomaterials, a Company registered in New Zealand with company number 1202932
“Target Revenue”	NZ\$6,500,000
“Takeover Code” or the “Code”	the City Code on Takeovers and Mergers
“Unapproved Options”	options granted pursuant to the EMI Scheme as unapproved options with no beneficial tax treatment applying to them
“UK”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	the Financial Conduct Authority, in its capacity as the UK Listing Authority
“VCT”	the Venture Capital Trust scheme
“Vendors”	the shareholders of Southern Lights Biomaterials, further details of which are set out in paragraph 10.1(p) of Part V of this document

“Zeus Capital”

Zeus Capital Limited, a company registered in England and Wales
with registered number 4417845

Exchange rate of £1 to NZ\$ 2 as at 19 November 2014 being the last practicable date prior to the printing
of this document.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

2014

Admission document publication date	21 November
Latest time and date for receipt of Forms of Proxy	9.00 a.m. on 7 December
Time and date of General Meeting	9.00 a.m. on 9 December
Cancellation from trading of the Existing Ordinary Shares	4.30 p.m. on 9 December
Admission and commencement of dealings in the Enlarged Issued Share Capital	8.00 a.m. on 10 December
Completion of the Acquisition	8.00 a.m. on 10 December
CREST accounts credited in respect of the Consideration Shares and Placing Shares	10 December
Definitive share certificates dispatched in respect of the Consideration Shares and Placing Shares (where relevant)	18 December

Notes:

1. References to time in this document are to London time. If any of the above times or dates should change, the revised times and/or dates will be notified to Shareholders by an announcement on an RIS.
2. The timing of events in the above timetable is indicative only.

KEY STATISTICS

Number of Existing Ordinary Shares	63,826,007
Number of Consideration Shares to be issued	21,428,572
Number of Placing Shares to be issued	85,714,286
Issue price per Consideration Share	7p
Issue price per Placing Share	7p
Number of Ordinary Shares in issue upon Admission	170,968,865
Market capitalisation of the Company on Admission at the Placing Price	£11.97 million
Percentage of Enlarged Issued Share Capital represented by the Consideration Shares	12.53%
Percentage of Enlarged Issued Share Capital represented by the Placing Shares	50.13%
AIM ticker symbol	COS
ISIN code	GB00B94T6Y14

PART I

LETTER FROM THE CHAIRMAN

Collagen Solutions plc

(Incorporated in England and Wales with registered number 8446337)

Directors:

David Evans (*Chairman*)
Dr. Stewart White (*Chief Executive Officer*)
Gillian Black (*Chief Financial Officer*)
Dr. Kevin Wilson (*Non-Executive Director*)
Malcolm Gillies (*Non-Executive Director*)

Registered Office:

Condor House
10 St Paul's Churchyard
London
EC4M 8AL

Proposed Director

Brian Geoffrey Bennett (*Chief Business Officer*)

21 November 2014

To the holders of Existing Ordinary Shares and share options

Dear Shareholders,

**Proposed Acquisition of Southern Lights Biomaterials by way of reverse takeover
Placing of 85,714,286 new Ordinary Shares at a price of 7 pence per share
Admission of the Enlarged Issued Share Capital to trading on AIM
and
Notice of General Meeting**

1. Introduction

The Company announced earlier today that it had agreed terms in respect of the acquisition of Southern Lights Biomaterials and a Placing to raise £6 million, before expenses, by the issue of 85,714,286 new Ordinary Shares at 7p per share.

Southern Lights Biomaterials provides medical device manufacturers with processed and semi processed bovine biomaterials, secured exclusively from New Zealand, a country the World Organisation for Animal Health describes as a 'negligible BSE risk' country. The Acquisition, if completed, is of sufficient size to constitute a reverse takeover under the AIM Rules and is therefore subject to the approval of Shareholders at the General Meeting and the publication of an admission document, which this document constitutes.

The consideration will take the form of cash and new Ordinary Shares in the Company up to a maximum amount of NZ\$12 million (circa £6 million) being NZ\$5 million (circa £2.5 million) in cash and NZ\$3 million (circa £1.5 million) satisfied by the issue of 21,428,572 new Ordinary Shares in the Company at the Placing Price, payable on Completion, and Additional Consideration of up to NZ\$4 million (circa £2 million) to be satisfied in cash depending on the achievement of certain future performance criteria.

The purpose of this document is to give you further information regarding the Proposals and to seek your approval of the Resolutions at the General Meeting, the notice of which is set out at the end of this document. The Proposals are conditional, *inter alia*, on the passing of the Resolutions and Admission. If the Resolutions are approved by Shareholders, it is expected that trading on AIM in the Existing Ordinary Shares will be cancelled at 4.30 p.m. on 9 December 2014 and Admission will occur and dealings in the Enlarged Issued Share Capital will commence at 8.00 a.m. on 10 December 2014.

You should read the whole of this document and not just rely on the information contained in this letter. In particular, you should consider carefully the "Risk Factors" set out in Part II of this document. Your attention is also drawn to the information set out in Parts III, IV and V of this document.

2. Background to and reasons for the Acquisition

On 5 April 2013, the Company raised £4 million before expenses and its shares were admitted to trading on the AIM market of the London Stock Exchange as an investment company focusing on opportunities in the healthcare sector. Following a review and assessment of approximately 30 different proposals in the fields of *in-vitro* diagnostics, bio pharma, biomaterials, medical devices and software, on 2 January 2014, the Company made its first acquisition; Collbio which changed its name to Collagen Solutions (UK) Limited on 19 February 2014. Collagen Solutions (UK) Limited is a manufacturer of medical grade collagen components for use in regenerative medicine, medical devices and *in-vitro* diagnostics, having, through its newly-established subsidiary, Collagen Solutions (US) Inc., acquired the assets of Collagen Solutions LLC, a US based business which provides medical grade bovine collagen, corium and tendon from closed herd and GBR1 countries and customised collagen based on customer requirements.

Since then the Company has strengthened the Board with the appointment of Gillian Black as Chief Financial Officer in March 2014 and the appointment of Professor Robert Brown of University College London as scientific adviser in May 2014. In June 2014, the Company entered into an agreement for the exclusive licencing of intellectual property generated in the laboratory of Professor Robert Brown. This technology is in the field of regenerative medicine which enables the rapid production of collagen-based living tissues with greater strength and durability.

The Directors believe that the Acquisition is the next step in its objective to build a significant global biomaterials business, that is able to assist customers in expediting the transition of their products from development through to manufacture. The Company will achieve this through provision of cost effective, functional collagen and other biomaterials and devices, across a range of clinical indicators, for the ultimate benefit of providing effective and affordable treatment to patients.

3. Information on the Company

The Company is a developer and manufacturer of medical grade collagen components for use in regenerative medicine, medical devices and *in-vitro* diagnostics. Head office and clean room manufacturing facilities (Grade B and C) are based in Glasgow, Scotland and the Company also has a R&D and sales capability in San Jose, California. The San Jose office is located in the heart of Silicon Valley and the facility is used to undertake laboratory scale product development on behalf of, and in collaboration with, its customers. The clinical grade collagen produced retains key structural and functional characteristics, can be supplied in a variety of formats and has been used in a range of applications, from wound healing, bone grafts, soft tissue repair and *in-vitro* diagnostics to tissue engineering. Collagen processed by the Company is sourced from bulk bovine tissue from closed herds, with negligible BSE risk and a history of safe supply. The Company has also made a strategic investment in Jellagen Pty Ltd, which aims to be the world's first provider of pharma grade collagen from jellyfish.

Management has significant expertise in the processes related to collagen manufacture (including collagen chemistry, sterile processing, medical device manufacture and collagen characterisation) as well as in the development of new collagen based biomaterial, enabling the Company to offer research and development services from product concept to clinical applications, as well as technology transfer to external contract manufacturers.

Customers range in size from academic groups and start-up firms to larger blue-chip companies. The Company's manufactured collagen products are intrinsically linked to products under development by their customers. Once a product has begun clinical development overseen by regulatory authorities, it is difficult for the customer to change suppliers. Establishing relations early in a customer's product development programme is therefore key.

The Company operates in compliance with international standards ISO 13485 and ISO 22442. ISO 13485 specifies requirements for a quality management system where an organisation needs to demonstrate its ability to provide medical devices and related services that consistently meet customer and regulatory requirements applicable to medical devices and related services. ISO 22442 also applies to medical devices (other than *in-vitro* diagnostics) but specifically those manufactured utilising materials of animal origin, which are non-viable or have been rendered non-viable. It addresses issues such as the application of risk management (related to biological contaminants), the control of sourcing, collection and handling and the principles for elimination and/or inactivation of transmissible spongiform encephalopathy (TSE) agents and validation assays for those processes.

4. Information on Southern Lights Biomaterials

Southern Lights Biomaterials was co-founded in 2003, by Geoffrey Bennett after BSE discoveries in US and Canada left a gap in the market for a New Zealand-based bovine supply chain for medical device manufacturers. It is based in the North Island of New Zealand, and benefits from the logistical advantage of being close to a readily available and consistent supply of source tissue from a country ranked by the World Organisation for Animal Health as a “negligible BSE risk” country. Southern Lights Biomaterials is a provider of processed and semi-processed biomaterials to medical device manufacturers and an international client base. In addition, it provides consultancy services focussing on collagen, collagen related services and regulatory support to its customers.

Southern Lights Biomaterials’ customers are medical device manufacturers. Its largest customer is based in South Korea and represented 63 per cent. of total revenues for the year to 31 March 2014. It entered into a 5 year agreement with Southern Lights Biomaterials in April 2011 for the supply of collagen and subsequently extended this agreement to 31 March 2018. Further details on this customer and the contract are set out in paragraph 10.3 of Part V.

In the three years to 31 March 2014, Southern Lights Biomaterials made sales to 28 different customers. The audited accounts to 31 March 2014 showed revenue of £1,266,524 and EBITDA of £273,911.

Its ISO 13485 certified production and engineering facility are based at Marton, New Zealand. This controlled environment facility includes, ISO Class 7 Clean Rooms, segregated processing areas, specific rooms for separate products to avoid cross contamination and a vacuum freeze drying facility. From these facilities Southern Lights Biomaterials supplies the following products:

- Processed biomaterials – mainly Type 1 Collagen, a ‘rope-forming’ collagen that can be found almost everywhere in the body, making it a logical choice for implantable tissue scaffolds;
- Preserved pericardium – a tough double layered membrane which covers and protects the heart from external shock, providing strength and extensibility and used for manufacturing the operational parts in bioprosthetic heart valves; and
- Semi-processed biomaterials – this primarily relates to pericardium and tendon, but to a lesser degree includes hide, bone, tendon, glands and blood vessels.

In addition, Southern Lights Biomaterials supports established and emerging medical device companies working to develop new or improved products for market. It can deliver engineered biomaterials with specified properties to companies focussed on medical device product design, testing and approval.

Southern Lights Biomaterials manages the supply chain logistics for its customers in relation to delivery of product including transport logistics from Australasia to customer production facilities and export documentation and country-specific import documentation. It also provides regulatory support to assist its customers to meet the requirements for the use of animal products.

The Directors believe that the acquisition of Southern Lights Biomaterials will de-risk the Company’s business model, and is a logical strategic extension and complementary in nature to the Company’s existing business, as well as providing security of supply of high grade collagen from a negligible BSE risk country. Southern Lights Biomaterials is established in the direct sourcing and primary processing of biomaterials, including collagen from New Zealand (a country the World Health Organisation for Animal Health describes as a ‘negligible BSE risk’ country) whilst the Company focusses on converting sourced collagen into higher value formulations and devices for its customers. Southern Lights Biomaterials’ sourcing of pericardium biomaterials brings an added product and service capability to the Enlarged Group. The Enlarged Group will have operational activities at either end of the supply chain with other benefits, in the Directors’ opinion, expected to be increased capacity close to sources of raw material, a wider international customer base with ability to access Asia and increased IP and know-how associated with the processing of biomaterials.

5. Principal terms of the Acquisition

The consideration will take the form of cash and Consideration Shares up to a maximum amount of NZ\$12 million (circa £6 million).

The initial consideration of NZ\$8 million (circa £4 million) to be paid on Completion will be satisfied by NZ\$5 million (circa £2.5 million) in cash and NZ\$3 million (circa £1.5 million) by the issue of the Consideration Shares. In addition, up to a further NZ\$4 million (circa £2 million) to be satisfied in cash will be made depending

on the achievement of certain future performance criteria. If Southern Light Biomaterials' sales reach NZ\$6.5 million (equivalent to circa £3.25 million) in any of the years to the year ended 31 March 2017, and they are sustained in any of the following years during the period ended 31 March 2018, a maximum of NZ\$4 million (equivalent to circa £2 million) is payable. If the target sales are not met in that period a pro rata amount is payable subject to sales exceeding the base level of NZ\$2.5 million (equivalent to circa £1.25 million).

Further details of the Acquisition are set out in paragraph 10.1 of Part V of this document.

6. Collagen and Medical Applications for Collagen

Proteins are natural polymers and make up almost 15 per cent. of the human body. Collagen is the major protein of the extracellular matrix and is the most abundant protein found in mammals, comprising 25 per cent. of the total protein and 70 per cent. to 80 per cent. of skin. Collagen acts as a structural scaffold in tissues. The central feature of all collagen molecules is their stiff, triple-stranded helical structure. Types I, II, and III are the main types of collagen found in connective tissue and constitute 90 per cent. of all collagen in the body. Given the multiplicity of biological activities of collagen and its derivatives, they are being used in a wide variety of currently marketed products in addition to products under development. A large number of collagen-based products are employed for soft tissue surgical repairs, including vascular grafts, neurosurgical patches, repairs to tendons, abdominal and thoracic wall repairs, dentistry and wound management.

The Company is addressing the medical device segment of the market using its collagen-based products to either coat synthetic products, or to fabricate a device which will ultimately be absorbed by the body during the healing process e.g. vascular grafts.

Given the central role of collagen in the development, maintenance and repair of the structure of tissues and organs, the field of regenerative medicine represents an important market opportunity for the Company. This field has gained a high profile in recent years with the promise of treatments for disease which could cure, as opposed to much of conventional medicine which often successfully controls disease but does not eliminate it.

7. Market

The global biomaterials market was estimated to be worth US\$44 billion per annum in 2012 and to be growing in excess of 10 per cent. per year to an estimated value of US\$88.4 billion per annum by 2017*. Biomaterials is broadly defined as including natural products (including collagen) used in medicines. The biomaterials markets serve many clinical segments such as cardiovascular, orthopaedics, neurology, dental, tissue engineering, plastic surgery, urogenital, wound healing and others, with cardiovascular dominating (34.5 per cent.) and plastic surgery and wound healing expected to show the strongest growth.

The Company has identified two key end markets in which it will focus; Medical Devices (orthopaedic, dental, vascular, wound care and haemostats) with an estimated value of US\$15 billion per annum*; and Regenerative Medicine (scaffolds, drug delivery and stem cells) with an estimated value US\$1.2 billion per annum*. Although the supply of collagen to these end markets may only be a small proportion of the overall market value (which itself is difficult to ascertain) it is also clear that by moving up the value chain, from supply of raw materials to development of higher added-value collagen formulations and customers' medical devices, to contract manufacturing services and ultimately to the development of proprietary products, the larger the addressable market the Company can target.

*MarketsandMarkets Sep 2013: Biomaterials Market – Global Forecasts to 2017

8. Financial information

The following financial information has been derived from the financial information contained in Part III of this document.

The Company's audited results for the period 15 March 2013 to 31 March 2014, which can be found on its website www.collagensolutions.co.uk, showed revenue of £24,023; EBITDA of (£388,269) before separately identifiable items, pre-tax loss of (£479,998), a loss per share of (1.1p), and at 31 March 2014, cash of £1,491,660.

Southern Lights Biomaterials' audited results to 31 March 2014 showed revenue of £1,266,524, gross profit of £1,144,162, EBITDA of £273,911 and cash of £252,358.

The Company, earlier today, announced its interim results for the six months to 30 September 2014, a copy of which is available on the Company's website. Since that date, trading has been in line with management expectations. The Board has a visible pipeline of opportunities which if crystallised will enable the Company to meet year-end expectations. The Company will keep the market informed on its progress as appropriate.

9. Placing

Zeus Capital and Panmure Gordon have conditionally raised £6 million by way of a conditional placing by the Company with investors of the Placing Shares at the Placing Price. The Placing Shares will represent approximately 50.13 per cent. of the Enlarged Issued Share Capital at Admission. Pursuant to the Placing Agreement, the Company, the Directors and the Proposed Director have each given certain warranties (and the Company has given an indemnity) to Zeus Capital and Panmure Gordon, all of which provisions are customary for this type of agreement.

The Placing, which is not underwritten, is conditional, *inter alia*, on:

- the Resolutions being approved;
- the Acquisition being completed in all respects; and
- Admission occurring no later than 10 December 2014 (or such later date as Zeus Capital, Panmure Gordon and the Company may agree, being no later than 24 December 2014).

The estimated net proceeds of the Placing are not less than £5.23 million and will be used to partially fund the initial cash element of the consideration for the Acquisition (the balance coming from existing cash resources) and for working capital. The Directors are subscribing for shares in the Placing at the Placing Price as follows:

<i>Director</i>	<i>Number of Placing Shares to be subscribed</i>	<i>Number of Ordinary Shares held at Admission</i>	<i>Percentage of Enlarged Issued Share Capital</i>
David Evans	7,142,856	12,638,730	7.39%
Stewart White	357,143	3,464,327	2.03%
Gillian Black	357,143	357,143	0.21%
Kevin Wilson	714,286	1,792,296	1.05%
Malcolm Gillies	714,286	1,214,286	0.71%

The participation of the Directors in the Placing constitutes a related party transaction for the purposes of Rule 13 of the AIM Rules (the "Related Party Transaction"). There are no independent directors for the purposes of providing the fair and reasonable statement required under Rule 13 of the AIM Rules. Zeus Capital, the Company's nominated adviser, considers that the terms of the Related Party Transaction are fair and reasonable insofar as Shareholders are concerned.

Further details of the Placing Agreement are set out in paragraph 10 of Part V of this Document.

10. Admission to AIM and dealings in Ordinary Shares

If the Resolutions are approved by Shareholders, it is expected that trading on AIM in the Existing Ordinary Shares will be cancelled at 4.30 p.m. on 9 December 2014. Application has been made to the London Stock Exchange for the Enlarged Issued Share Capital to be admitted to trading on AIM and it is expected that Admission will occur and dealings in the Enlarged Issued Share Capital will commence at 8.00 a.m. on 10 December 2014.

11. Directors and Proposed Director

Directors of the Company

The Board currently comprises the following directors:

David Eric Evans (Chairman, aged 54)

David Evans has a proven track record in acquiring, integrating and growing businesses in the diagnostic area and in value creation, exemplified by his role at BBI Holdings plc where he grew the company through

acquisition and organic growth, from a value of £4 million to a value of £84 million in 2007, when BBI was sold to Inverness Medical Innovations Inc. He was chairman of DxS Limited, which was sold three months after his departure in 2009 for £82 million. David was also chairman of Sirigen Group Limited, an early stage medical technology company that was sold in 2012 to Becton, Dickinson and Company, a global medical technology company. David was also previously Chairman of Immunodiagnosics Systems Holdings plc.

David is currently chairman of Epistem Holdings plc, EKF Diagnostic Holdings plc, Scancell Holdings plc, Omega Diagnostics Group plc, Optibiotix Health Plc, Venn Life Sciences Holdings plc and Premaitha Health plc.

Dr. Stewart White (Chief Executive Officer, aged 43)

Dr Stewart White was appointed CEO on completion of the acquisition of Collbio in January 2014. Stewart has international experience in operations, business and product development, and 'Good Manufacturing Practices' (GMP) compliant manufacturing of collagen medical devices, advanced biologics and APIs in both SMEs and global pharmaceuticals. Stewart is a graduate of the University of Strathclyde and holds a First Class degree in Applied Microbiology, a Ph.D. in Fermentation Technology and Bioprocessing and an MBA.

Gillian Nancy Black (Chief Financial Officer, aged 52)

Gillian Black was appointed to the Company in March 2014 and has extensive financial board level experience. She was previously Financial Director and Company Secretary of A&E Russell Ltd, and was instrumental in their expansion before taking them through the subsequent acquisition by Bunzl plc in 2008. After spending 2 years as Head of Finance at AKP Scotland Ltd, she became Head of Finance and Company Secretary of GVA James Barr Ltd, a privately owned property consultancy business which merged in 2013 with a top 5 UK independent property consultancy, GVA Grimley. Previously, Gillian was a Senior Manager at KPMG, Glasgow where she led a team advising many high growth businesses. Gillian holds an MA in Accountancy and Economics from the University of Dundee and is a Chartered Accountant and ICAS member.

Dr. Kevin William Wilson (Non-Executive Director, aged 63)

Dr. Kevin Wilson was corporate finance director and head of the Manchester office for Arbuthnot Securities. Kevin has spent over 25 years as a securities analyst and corporate finance adviser in both stockbroking and investment banking, providing advice to a wide range of smaller public and private companies. He is a visiting fellow at Lancaster and Manchester Business Schools and formerly a visiting professor at Lausanne and Geneva. Kevin is a director of AIM quoted EKF Diagnostics plc and a former director of BBI Group plc.

Malcolm John Gillies (Non-Executive Director, aged 64)

Malcolm is a director in several private companies mostly involved in the healthcare area including Aircraft Medical Limited; Antoxis Limited and Ohmedics Limited. He has previously held positions as a non-executive director in public companies and was company secretary at Axis-Shield plc. He has a background as a corporate finance lawyer, having been a senior partner with Shepherd and Wedderburn LLP.

Proposed Director

Upon completion of the Acquisition it is proposed that Brian Geoffrey Bennett is appointed to the Board with effect from Admission.

Brian Geoffrey Bennett (Geoffrey) (Chief Business Officer, aged 54)

Geoffrey co-founded Southern Lights Biomaterials in 2003 and joined full time in early 2007 after relocating from Calgary, Canada.

Geoffrey holds a Bachelor of Commerce degree from the University of Alberta and is a member of the Canadian Institute of Chartered Accountants. He has financial and operational experience including previously holding the chief financial role at three publicly traded Canadian companies (Pelorus Navigation Systems Inc., Circle Energy Inc. and Solid State Geophysical Inc.) as well as experience of early stage enterprises specialising in technology commercialisation.

12. Corporate Governance and Internal Controls

The Directors recognise the importance of good corporate governance and confirm that, following Admission, they intend to continue to comply with the recommendations set out in the QCA Corporate Governance Code.

The Board meets regularly to consider strategy, performance, approval of major capital projects and the framework of internal controls and has established Audit and Risk, Remuneration and Nomination Committees. The Chairman and members of these committees comprise the non-executive directors of the Company. To enable the Board to discharge its duties, all Directors receive appropriate and timely information. Briefing papers are distributed to all Directors in advance of Board meetings. All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with. The appointment and removal of the Company Secretary is a matter for the Board as a whole. In addition, procedures are in place to enable the Directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. Subject to the terms of the executive Directors' service contracts, Directors are subject to retirement by rotation and re-election by the Shareholders at annual general meetings each year, as required by the Articles of Association and any Director appointed by the Board shall hold office only until the next annual general meeting and shall then be eligible for election.

The Audit and Risk Committee comprises Kevin Wilson as Chairman, and has primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of the Company is properly measured and reported on and reviewing reports from the Company's auditors relating to the Company's accounting and internal controls, in all cases having due regard to the interests of Shareholders. The Audit and Risk Committee meets at least twice a year. Malcolm Gillies is the other member of the Audit and Risk Committee.

The Remuneration Committee comprises Malcolm Gillies as Chairman and reviews the performance of the executive directors and determine their terms and conditions of service, including their remuneration and the grant of options, having due regard to the interests of Shareholders. The remuneration committee meets no less than once every year. The other members of the Remuneration Committee are David Evans and Kevin Wilson.

The Nomination Committee comprises Malcolm Gillies as Chairman and other members are David Evans and Kevin Wilson. The Nomination Committee meets no less than once every year.

The Directors comply with Rule 21 of the AIM Rules and the DTR relating to Directors' dealings and there are procedures in place to ensure compliance by the Company's applicable employees. The Company has a share dealing code which is appropriate for an AIM quoted company.

13. Dividend Policy

The Directors believe that at the current stage of the Company's development, it is inappropriate to pay a dividend. The Directors believe that the Enlarged Group should seek to generate capital growth for its Shareholders. Once the Company is in a financial position to pay dividends, the Board intends to adopt a progressive dividend policy. There can be no assurance that the Company will have the ability to declare and pay dividends in the future.

14. Lock-in Arrangements

On 9 December 2013, certain Shareholders, including David Evans, Stewart White, Kevin Wilson, and Malcolm Gillies, who at that time were in aggregate interested in Ordinary Shares representing approximately 27.65 per cent. of the Existing Ordinary Shares, each undertook that, save in limited circumstances set out in Rule 7 of the AIM Rules, they would not dispose of any Ordinary Shares prior to 2 January 2015. These individuals further agreed that for an additional 12 month period, being until 2 January 2016, they would only dispose of shares under the terms of an orderly marketing arrangement.

Further, certain of the Vendors, who will, upon Admission and Completion be interested in 21,428,572 Ordinary Shares representing approximately 12.53% per cent. of the Enlarged Issued Share Capital, have each undertaken that, save in limited circumstances, they will not dispose of any Ordinary Shares for a period of 12 months from Admission and for a further 12 months thereafter will only dispose of shares under the terms of an orderly marketing arrangement.

Further details of all these arrangements are set out in paragraph 10.1 of Part V of this document.

15. Share Option Scheme

The Board recognises the importance of share participation as a mechanism for incentivising and rewarding key employees and aligning their interests with those of Shareholders. Accordingly, on 31 July 2014 the Company adopted the rules of the Collagen Solutions PLC 2014 Enterprise Management Incentive Scheme (the “**EMI Scheme**”).

Options granted under the EMI Scheme to be satisfied by newly issued Ordinary Shares will be limited in total to 15 per cent. of the Company’s issued share capital from time to time.

To date, the Company has granted two options pursuant to the EMI Scheme to two key employees which will entitle those employees to acquire up to an aggregate of 888,349 Ordinary Shares.

As soon as reasonably practicable following publication of this document, the Company proposes to grant an option to Gillian Black, one of its Directors, over up to 1,000,000 Ordinary Shares. Further information on this proposed option is provided at paragraph 6.12 of Part V of this document. Further information on the EMI Scheme more generally is set out at paragraph 7 of Part V of this document.

16. The Takeover Code

The Takeover Code governs, *inter alia*, transactions which may result in a change of control of a company to which the Takeover Code applies. Under Rule 9 of the Takeover Code any person who acquires, whether by a series of transactions over a period of time or not, an interest (as defined in the Takeover Code) in shares which, taken together with shares in which he is already interested or 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, that person is normally required to make a general offer to all the remaining shareholders to acquire their shares.

Similarly, Rule 9 of the Takeover Code also provides that when any person, together with persons acting in concert with him, is interested in shares which, in aggregate, carry more than 30 per cent. of the voting rights of such company, but does not hold shares carrying 50 per cent. or more of such voting rights, a general offer will normally be required if any further interest in shares acquired by any such person leads to an increase to that person’s percentage of shares.

The acquisition of Collbio detailed in the Admission Document dated 10 December 2013 required the Company to apply to the Panel for a waiver of Rule 9 of the Takeover Code in order to permit the acquisition of Collbio and any subsequent issue of shares to David Evans, a director of the Company, upon exercise of an option granted to him by the Company on 29 March 2013 (the “Director Option”) without triggering an obligation on the part of Concert Party to make a general offer to the Shareholders. The Panel agreed, subject to independent shareholders’ approval on a poll, to waive the possible requirement for the Concert Party to make a general offer to all Shareholders where such an obligation would arise as a result of the acquisition of Collbio, the allotment of certain shares in the capital of the Company upon the satisfaction of certain performance targets relating to the deferred consideration payable to certain members of the Concert Party as sellers of Collbio (the “Deferred Consideration Shares”) and any exercise of the Director Option.

At a general meeting of the Company dated 27 December 2013, independent Shareholders approved the waiver by the Panel in respect of the obligation of the Concert Party from making a general offer to shareholders as required by Rule 9 of the Takeover Code resulting from:

- the issue of the Deferred Consideration Shares; and
- the issue of shares pursuant to the exercise of the Director Option.

The issue of the Deferred Consideration Shares and the exercise of the Director Option remain outstanding as at the date of this document.

At that time the waiver was granted, the maximum interest in the Ordinary Shares the Concert Party could hold was, in aggregate, 42.48 per cent. after the issue of the Deferred Consideration Shares and 45.25 per cent. after exercise of the Director Option in full.

As a result of the Proposals, the maximum interest the Concert Party may hold after the issue of the Deferred Consideration Shares is 44,221,563 and following exercise of the Director Option in full is 48,271,563. Individual holdings are as stated below.

Concert Party Member	Current Interest in the Company		Participation in the Placing		Interest in the Company on Admission		Interest in the Company should all performance targets be met		Interest in the Company should all performance targets be met and the Director Option be exercised in full	
	Number of Shares	%	Number of Shares	Number of Shares	Number of Shares	%	Number of Shares	%	Number of Shares	%
David Evans	5,495,874	8.61	7,142,856	12,638,730	7.39	18,009,604	9.63	22,059,604	11.55	
Kevin Wilson	1,078,010	1.69	714,286	1,792,296	1.05	2,745,306	1.47	2,745,306	1.44	
Ross Andrews	387,961	0.61	–	387,961	0.23	775,922	0.42	775,922	0.41	
Stewart White	3,107,184	4.87	357,143	3,464,327	2.03	6,571,511	3.51	6,571,511	3.44	
Alex Clarkson	1,099,805	1.72	–	1,099,805	0.64	2,199,611	1.18	2,199,611	1.15	
Chris Brinsmead	560,000	0.88	443,250	1,003,250	0.59	1,563,250	0.84	1,563,250	0.82	
Stephen O'Hara	365,825	0.57	–	365,825	0.21	731,650	0.39	731,650	0.38	
Doug Wilson	388,350	0.61	59,100	447,450	0.26	835,800	0.45	835,800	0.44	
Peter Whitehurst	485,437	0.76	–	485,437	0.28	970,874	0.52	970,874	0.51	
Jan Rodgers	194,175	0.30	–	194,175	0.11	388,350	0.21	388,350	0.20	
Adrian Gare	194,175	0.30	29,550	223,725	0.13	417,900	0.22	417,900	0.22	
David Gare	194,175	0.30	88,650	282,825	0.17	477,000	0.26	477,000	0.25	
Clare Hughes	1,898,058	2.97	–	1,898,058	1.11	2,295,149	1.23	2,295,149	1.20	
Neil McArthur	2,470,874	3.87	1,182,000	3,652,874	2.14	4,623,748	2.47	4,623,748	2.42	
Nicholas Mustoe	466,019	0.73	295,500	761,519	0.45	1,227,538	0.66	1,227,538	0.64	
Kate Rowe	194,175	0.30	–	194,175	0.11	388,350	0.21	388,350	0.20	
Total	18,580,097	29.09	10,312,335	28,892,432	16.90	44,221,563	23.65	48,271,563	25.27	

17. CREST

The Ordinary Shares will be in registered form and will be capable of being held in either certificated or uncertificated form (i.e. in CREST) following Admission. CREST is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument in accordance with the CREST Regulations. For more information concerning CREST, Shareholders should contact their stockbroker or Euroclear UK & Ireland Limited at 33 Cannon Street, London EC4M 5SB or by telephone on +44 (0) 20 7849 0000.

18. EIS/VCT Status

The Company has obtained advance assurance from HMRC that it should be a qualifying company for EIS purposes and the Placing Shares should be eligible shares under the VCT provisions. However, investors should be aware that, whilst advance assurance has been obtained from HMRC, the Directors cannot guarantee that the Placing Shares or the Company will satisfy, and will continue to satisfy, the requirements for tax relief under EIS and VCT rules. The continuing status of the Placing as qualifying for EIS purposes will be conditional on the qualifying conditions being satisfied throughout the relevant period of ownership. Neither the Company nor the Directors give any warranty, representation or undertaking that any investment in the Company by way of Placing Shares will be or will continue to be a qualifying investment for EIS or VCT purposes. EIS eligibility is also dependent on a Shareholder's own position and not just that of the Group. Accordingly, investors should take their own advice in this regard.

19. Taxation

General information regarding UK taxation is set out in paragraph 17 of Part V of this document. These details are intended only as a general guide to the current tax position under UK taxation law. If an investor is in any doubt as to his tax position he should consult his own independent financial adviser immediately. Investors subject to tax in other jurisdictions are strongly urged to contact their tax advisers about the tax consequences of holding Ordinary Shares.

20. Bribery Act 2010

The government of the United Kingdom has issued guidelines setting out appropriate procedures for companies to follow to ensure that they are compliant with the UK Bribery Act 2010 which came into force

with effect from 1 July 2011. The Company has conducted a risk review into its operational procedures to consider the impact of the Bribery Act 2010 and has drafted and implemented an anti-bribery policy as adopted by the Board and also implemented appropriate procedures to ensure that the directors, employees and consultants comply with the terms of the legislation.

21. Risk factors

Shareholders should be aware of the potential risk factors set out in Part II of this document and to the section entitled "Forward Looking Statements" on page 2 of this document. Shareholders should, in addition to all other information set out in this document, carefully consider the risks described in those sections.

22. Additional Information

Shareholders should read the whole of this document which provides additional information on the Company, Southern Lights Biomaterials and the Proposals and not just rely on the information contained in this letter. Your attention is drawn to the information set out in Parts II to V (inclusive) of this document.

23. General Meeting

Set out at the end of this document is the Notice convening the General Meeting to be held at 3 Robroyston Oval, Nova Technology Park, Glasgow G33 1AP on 9 December 2014 at 9.00 a.m. at which the Resolutions will be proposed to approve:

- the Acquisition;
- the allotment of the Placing Shares and the Consideration Shares, and to give the Directors authority to allot securities (i) up to a maximum nominal amount of £569,896.22 (representing approximately one-third of the Enlarged Issued Share Capital), and (ii) in connection with a fully pre-emptive rights issue, up to a maximum nominal amount of £569,896.22. The Directors consider that these authorities are desirable to allow the Company to retain flexibility but they have no present intention of exercising the authorities; and
- the dis-application of the statutory pre-emption provisions in respect of the allotment of (i) the Placing Shares, (ii) equity securities for cash in connection with rights issues, open offers and other pre-emptive offers pursuant to the allotment authorities referred to in the above paragraph, and (iii) equity securities for cash up to a maximum nominal amount of £256,453.30 (representing approximately 15 per cent. of the Enlarged Issued Share Capital). This will give the Company flexibility to raise funds in the future should it wish to do so although the Directors have no present intention of exercising the power.

24. Action to be taken by Shareholders

A Form of Proxy for use at the General Meeting accompanies this document. The Form of Proxy should be completed and signed in accordance with the instructions thereon and returned to the Company's registrars, Capita Asset Services, PXS1, 34 Beckenham Road, Kent BR3 4TU as soon as possible, but in any event so as to be received by no later than 9.00 a.m. on 7 December 2014. The completion and return of a Form of Proxy will not preclude a Shareholder from attending the General Meeting and voting in person should he or she wish to do so.

25. Recommendation

The Directors consider that the Acquisition will bring together two highly innovative companies with a potential to secure significant value, in a relatively low-risk manner, by adopting a portfolio approach with regard to development for customers and ensuring revenues are secured long-term by taking them from research and development through to manufacturing. In that respect, the Acquisition is entirely in keeping with the Company's complementary goals of short term concentration on a relatively low risk portfolio of steady customers, and a longer term opportunity to move up the value chain in its two key end markets of Medical Devices and Regenerative Medicine.

The Directors consider the Acquisition to be the next stage in the Company's development and to be in the best interests of its Shareholders as a whole. Accordingly, the Directors recommend that Shareholders vote in favour of all of the Proposals at the General Meeting as they intend to do so themselves.

Yours faithfully

David Evans
Chairman

PART II

RISK FACTORS

The investment offered in this document may not be suitable for all of its recipients. If you are in any doubt about the action you should take, you should consult a person authorised under FSMA who specialises in advising on the acquisition of shares and other securities.

In addition to the usual risks associated with an investment in a company, the Board considers that the factors and risks described below are the most significant in relation to an investment in the Enlarged Group and should be carefully considered, together with all the information contained in this document, prior to investing in the Ordinary Shares. It should be noted that the risks described below are not the only risks faced by the Enlarged Group and there may be additional risks that the Board currently considers not to be material or of which they are currently not aware.

If any of the events described in the following risks actually occur, the Enlarged Group's business, financial condition, results or future operations could be materially affected. In such circumstances, the price of the Ordinary Shares could decline and investors could lose all or part of their investment. The information set out below is not set out in any order of priority. The Enlarged Group's performance may be affected by changes in legal, regulatory and tax requirements in any of the jurisdictions in which it operates or intends to operate as well as overall global financial conditions.

Risks Specific to the Enlarged Group

Business Risks

Integration

Success of the Enlarged Group will be dependent in part on the ability to integrate the acquisition of Southern Lights Biomaterials. Potential risks include the inability to address necessary financial and operational amalgamation. Failure to meet Board expectations could have an adverse effect on the future financial position of the Enlarged Group.

Strategy

The Directors believe in the strategic opportunity for the Enlarged Group to enhance revenues by leveraging existing customers, products and facilities in order to provide a comprehensive offering of a broad range of collagen raw material, development services and contract manufacturing for collagen based medical devices. Although confident in the strategy, the Board offers no certainty of performance of the Enlarged Group. If the strategy is unsuccessful, there is likely to be a detrimental impact on the trading performance.

Growth

The ability of the Enlarged Group to manage growth effectively, and implement its strategy, requires effective planning and management control systems. The pace of change required could place a significant strain on the Enlarged Group's management, operational, financial and personnel resources and could have a detrimental impact on trading performance of the Enlarged Group. The Enlarged Group will have an experienced management team and a clear strategy for any required integration and management of the business growth.

Attraction and Retention of Key Employees

The Enlarged Group has a talented and experienced management team who have responsibility for the success of the business. As the business develops the Board recognises that other senior executives with appropriate experience are likely to be required. If the Enlarged Group is unable to retain existing members of the senior management team, or attract others with the required skills to assist with the development of the business, this is likely to have a detrimental impact on the business. Key person insurance will be explored to provide a level of mitigation. The ability to attract new employees and senior executives with the appropriate expertise and skills cannot be guaranteed. The Enlarged Group may experience difficulties in

hiring appropriate employees and the failure to do so may have a detrimental effect upon the trading performance of the Enlarged Group. The Enlarged Group has geographically diverse operations and the motivation of staff could be an issue although the key employees are, or will be at Admission, Shareholders.

Regulatory Clearance

Southern Lights Biomaterials sources materials from New Zealand and holds ISO 13485 and European Directorate for the Quality of Medicines & Healthcare (“EDQM”) certification on its collagen formulation. The local access to source materials and the commitment to resourcing these certifications provides added value and surety for customers. Likewise, the Company is reliant on the maintenance of its own regulatory approvals and certifications. The Enlarged Group’s business could be severely impaired if those approvals and permissions upon which it relies are withdrawn.

Furthermore, business growth of the Enlarged Group is also, to an extent, dependent on customers obtaining appropriate regulatory clearances on its products from the relevant geographical regulatory agencies. If regulatory approvals are not obtained, this is likely to have a detrimental effect on trading performance.

Facilities

Should the Enlarged Group’s facilities becomes damaged or the Enlarged Group is required to move to new facilities which requires notified body or competent authority certification, the ability to generate revenue may be affected. Any of the Enlarged Group’s facilities and equipment could be rendered inoperable as a result of natural or man-made disasters making it difficult or impossible to operate for an extended period of time. The Enlarged Group has in place the necessary insurances for damage to property and the disruption of its business, however, this insurance may not cover all of the risks or potential losses.

Patents and Confidentiality

The Enlarged Group will aim to protect its trade secrets with third parties through confidentiality agreements, which if breached could affect operations. The Enlarged Group will be reviewing potential for exploiting any intellectual property (“IP”) discovered and may seek access other intellectual property. This will require the Enlarged Group to avoid infringement and protect any novelty around its own products. This may mean that the Enlarged Group may face opposition from third parties which could require significant cost, management time and therefore distract it from delivering products and services to customers. The Board cannot guarantee success in any future patent submission or defence, nor can any guarantee be given as to future changes in worldwide patent legislation.

Litigation

The usage of the Enlarged Group’s products within the medical device sector could lead to product liability claims if the occasions arose whereby products were involved in an adverse event – a liability claim might result in damages, become costly and time-consuming to defend. Such liabilities could exceed available resources. The business has product and professional liability insurance, but this may not fully protect the Enlarged Group from financial damage.

The Enlarged Group could be negatively affected by violations of anti-bribery laws. With global operations, the Enlarged Group could be subject to malevolent abuse of the United Kingdom’s Bribery Act of 2010, and other such laws in international locations. Such laws can be complex and any violations could affect operations and cause significant management distraction. Similarly, employees, consultants or other commercial partners could engage in misconduct, non-compliance, insider trading or other fraudulent activities.

Competition

The Enlarged Group will be carrying out business activities where there are competitors. Many of these competitors are larger and have access to greater funds than the Enlarged Group. However, the Directors believe that the Enlarged Group is poised to compete strongly and that there are sufficient barriers to entry to other competitors entering the same markets as the Enlarged Group.

Suppliers

The Enlarged Group uses collagen from bovine sources which have been utilised in implantable medical devices for many years. The Enlarged Group's materials are sourced from BSE-free territories, with suppliers who have the necessary quality systems, certifications and export health attestations in place to ensure that any such risks are reduced and mitigated to a negligible level, to the acceptance of the relevant regulatory agencies. Any change in the BSE-free status of suppliers could impact the supply chain and therefore the ability to conduct the Enlarged Group's business and generate revenue.

Product Development

Product development will be an ongoing activity in the Enlarged Group. However, the Directors cannot guarantee that further products will be developed, successfully launched, or accepted by the market. New product development can be a lengthy process and suffer delays and setbacks as yet unforeseen.

The fast changing nature of the medical device industry may mean new products may become obsolete, causing the Enlarged Group's results and reputation to suffer.

Customer Base

The stability and future growth of the business is largely dependent on retaining the majority of the Enlarged Group's existing customers, in addition to winning new customers. If the existing customer base is reduced in either number or value, this is likely to have a detrimental impact on the trading performance. In particular, it should be noted that Southern Lights Biomaterials' largest customer, which is based in South Korea, was responsible for approximately 63 per cent. of Southern Lights Biomaterials' revenues in 2014. If the Enlarged Group cannot maintain current relationships, or establish new meaningful commercial relationships, revenue generation could be delayed.

External Environment

Economic Climate

The trading activities of the Enlarged Group will be influenced to a certain extent by the global economic environment which may have a detrimental effect on trading and operational activities and overall results of the Enlarged Group and investors should be aware of the risks involved. In the territories where the Enlarged Group operates, or plans to operate, there may be healthcare reforms beyond the control of the Enlarged Group which may negatively influence the usage of its products and/or customers' products, resulting in a negative impact on the business of the Enlarged Group.

Currency Risk

The majority of the Enlarged Group's revenue will be generated in currencies other than Sterling. Due to the unpredictable nature of currency exchange rates, the Enlarged Group cannot guarantee against any losses which may be incurred as a result of variations in exchange rates. The Enlarged Group's performance may be subject to exchange rate fluctuations. In order to mitigate these risks around currency, the Board intends to implement a currency hedging policy.

General Risks

AIM

The Enlarged Issued Share Capital will be admitted to AIM and it is emphasised that no application is being made for admission of any of the Ordinary Shares to the Official List or to any other stock exchange at this time. An investment in shares quoted on AIM may be less liquid and may carry a higher risk than an investment in shares quoted on the Official List. The rules of AIM are less demanding than those of the Official List of the UK Listing Authority. Further, the London Stock Exchange has not itself examined or approved the contents of this document. Any 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 authorised under the FSMA who specialises in the acquisition of shares and other securities.

As a public company, the Company will incur significant legal, accounting and other expenses due to compliance with applicable AIM regulations and disclosure obligations. The Board expects to devote substantial time to public company compliance.

Liquidity and Pricing

Following Admission, the market price of the Ordinary Shares may be subject to significant fluctuations in response to many factors, including variations in the results of the Enlarged Group, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, general economic conditions, legislative changes in the Enlarged Group's sector and other events and factors outside of the Enlarged Group's control.

In addition, stock market prices may be volatile and may go down as well as up. The price at which investors may dispose of their Ordinary Shares in the Enlarged Group may be influenced by a number of factors, some of which may pertain to the Enlarged Group and others which are external. These factors could include the performance of the Enlarged Group's business, changes in the values of its investments, changes in the Enlarged Group's operating expenses, variations in and the timing of the recognition of realised and unrealised gains or losses, the degree to which the Enlarged Group encounters competition, large purchases or sales of Ordinary Shares, liquidity (or absence of liquidity) in the Ordinary Shares, legislative or regulatory or taxation changes and general economic conditions. The value of the Ordinary Shares will therefore fluctuate and may not reflect their underlying asset value. Investors may realise less than the original amount invested.

Admission should not be taken as implying that there will be a liquid market for the Ordinary Shares. It may be more difficult for an investor to realise an investment in the Enlarged Group than in a company whose shares are quoted on the Official List. In addition, the market price of the Ordinary Shares may not reflect the underlying value of the Enlarged Group's net assets.

Future Funding

Whilst the Directors have no current plans for raising additional capital immediately after the issue of the Placing Shares and are of the opinion that the working capital available to the Enlarged Group will be sufficient for its present requirements, it is possible that the Company will need to raise extra capital in the future to develop fully the Enlarged Group's business or to take advantage of future acquisition opportunities. No assurance can be given that any such additional financing will be available or that, if available, it will be available on terms favourable to the Company or to the Company's shareholders.

If further financing is obtained by issuing equity securities or convertible debt securities, the Shareholders' holdings of Ordinary Shares may be diluted and the new securities may carry rights, privileges and preferences superior to the Ordinary Shares. The Directors may seek debt finance to fund all or part of any future acquisition. There can be no assurance that the Company will be able to raise those debt funds, whether on acceptable terms or at all. If debt financing is obtained, the Company's ability to raise further finance and its ability to operate its business may be subject to restrictions.

Investment Risk

Potential investors should be aware that the value of shares can rise or fall and that there may not be proper information available for determining the market value of the Ordinary Shares at all times. An investment in a share which is traded on AIM, such as the Ordinary Shares, is likely to be difficult to realise and carries a high degree of risk. The ability of an investor to sell Ordinary Shares will depend upon there being a willing buyer for them at an acceptable price. Consequently, it might be difficult for an investor to realise his/her investment in the Enlarged Group and he/she may lose all his/her investment. The Ordinary Shares therefore may not be suitable as a short-term investment.

In the future, financial analysts may publish research about the business or use negative language as a result of which the price of Ordinary Shares could decline. The Directors will ensure the Enlarged Group retains necessary professional advice, however, the business will be subject to external independent opinion which will be outside of its control.

Economic, Political, Judicial, Administrative, Taxation or Other Regulatory Matters

The Enlarged Group may be adversely affected by changes in economic, political, judicial, administrative, taxation or other regulatory factors, as well as other unforeseen matters. The international nature of the business, the location of its facilities, the markets and territories in which the Enlarged Group currently operates, and plan to expand into, will provide the necessary opportunities to the business, but will also expose the business to multiple governmental regulatory requirements and legislation which may have an adverse effect on the performance of the Enlarged Group.

Taxation

Tax rules and their interpretation relating to any investment in the Enlarged Group may change during its lifetime. Any such change in the Enlarged Group's tax status, taxation legislation, or interpretation could affect the value of the investments held in the Enlarged Group, or, the Enlarged Group's ability to provide returns to Shareholders or could change post-tax returns to Shareholders. Representations in this document concerning the taxation of the Enlarged Group and its investors are based upon current tax law and practice which is subject to change.

EIS and VCT Relief

The Enlarged Group cannot guarantee to conduct its activities in such a way as to maintain its status as a qualifying EIS or VCT investment.

Legislation and Tax Status

This document has been prepared on the basis of current legislation, regulation, rules and practices and the Directors' interpretation thereof. Such interpretation may not be correct and it is always possible that legislation, rules and practice may change. Any change in legislation and in particular in tax status or tax residence of the Enlarged Group or in tax legislation or practice may have an adverse effect on the returns available on an investment in the Enlarged Group.

Prospective investors are strongly recommended to consult an investment adviser authorised under FSMA, who specialises in advising on investments of this nature before making any decision to invest in the Ordinary Shares.

PART III

Section A: Historical Financial Information on the Company

The Company's audited annual report and accounts for the financial year ended 31 March 2014 and the unaudited interim accounts for the six months ended 30 September 2014 can be viewed on the Company's website at www.collagensolutions.co.uk.

Shareholders have the right to receive a hard copy of the source information but this will not be sent to shareholders unless they request it.

Shareholders may request a hard copy of the source information from the Company's registered office, Collagen Solutions Plc, c/o Shepherd and Wedderburn LLP, Condor House, 10 St. Paul's Churchyard, London, EC4M 8AL, or by telephone to +44 (0)141 558 9838.

There is no other information incorporated in this document by reference.

Section B: Historical Financial Information on Southern Lights Biomaterials

Statement of comprehensive income

For the three years ended 31 March 2014

	<i>Notes</i>	<i>Year ended 31 March 2014 £</i>	<i>Year ended 31 March 2013 £</i>	<i>Year ended 31 March 2012 £</i>
Revenue	5	1,266,524	917,889	762,501
Cost of sales		<u>(122,362)</u>	<u>(134,743)</u>	<u>(181,018)</u>
Gross profit		<u>1,144,162</u>	<u>783,146</u>	<u>581,483</u>
Other losses, net	6	(29,964)	(9,739)	(3,100)
Administrative expenses	8	(891,503)	(786,176)	(690,696)
Finance costs	7	(43)	(984)	(1)
Finance income	7	<u>1,697</u>	<u>1,009</u>	<u>315</u>
Profit/(loss) before income tax		224,349	(12,744)	(111,999)
Income tax (expense)/credit	10	<u>(62,677)</u>	<u>2,312</u>	<u>31,359</u>
Profit/(loss) for the year from continuing operations attributable to the owners of Southern Lights Biomaterials	18(b)	<u>161,672</u>	<u>(10,432)</u>	<u>(80,640)</u>
Currency translation differences		<u>(6,742)</u>	<u>10,505</u>	<u>15,697</u>
Total comprehensive income/(loss) for the year attributable to the owners of Southern Lights Biomaterials		<u>154,930</u>	<u>73</u>	<u>(64,943)</u>

Statement of financial position

As at 31 March

		<i>As at</i> <i>31 March</i> <i>2014</i> £	<i>As at</i> <i>31 March</i> <i>2013</i> £	<i>As at</i> <i>31 March</i> <i>2012</i> £
	<i>Notes</i>			
ASSETS				
Non current assets				
Property, plant and equipment	11	361,605	377,595	369,248
Intangible assets	12	72,176	44,732	35,326
Deferred tax assets	13	4,752	37,584	32,734
		<hr/>	<hr/>	<hr/>
Total non current assets		438,533	459,911	437,308
Current assets				
Cash and cash equivalents	14	252,358	88,362	76,641
Trade and other receivables	15	211,649	147,444	87,768
Inventories	16	50,878	24,072	27,621
Current tax receivables		–	259	19,724
		<hr/>	<hr/>	<hr/>
Total current assets		514,885	260,137	211,754
		<hr/>	<hr/>	<hr/>
Total assets		953,418	720,048	649,062
EQUITY				
Share capital	17	638,009	638,009	586,653
Cumulative translation reserves	18	19,461	26,203	15,697
Retained earnings	18	61,630	(100,042)	(89,610)
		<hr/>	<hr/>	<hr/>
		719,100	564,170	512,740
		<hr/>	<hr/>	<hr/>
Total equity attributable to the owners of Southern Lights Biomaterials		719,100	564,170	512,740
LIABILITIES				
Current liabilities				
Trade and other payables	19	183,943	135,457	102,266
Bank overdraft		–	–	35
Current tax liabilities		31,976	–	–
Shareholder loans	20	18,399	20,421	34,021
		<hr/>	<hr/>	<hr/>
		234,318	155,878	136,322
		<hr/>	<hr/>	<hr/>
Total liabilities		234,318	155,878	136,322
		<hr/>	<hr/>	<hr/>
Total equity and liabilities		953,418	720,048	649,062

Statement of changes in equity

For the three years ended 31 March 2014

	Share Capital £	Cumulative translation reserve £	Retained earnings £	Total equity £
Balance as at 1 April 2011	–	–	99,448	99,448
<i>Other comprehensive income</i>				
Loss for the year	–	–	(80,640)	(80,640)
Foreign exchange movements	–	15,697	–	15,697
<i>Transactions with shareholders</i>				
Shares issued	586,653	–	–	586,653
Dividends	–	–	(108,418)	(108,418)
Balance as at 31 March 2012	<u>586,653</u>	<u>15,697</u>	<u>(89,610)</u>	<u>512,740</u>
<i>Other comprehensive income</i>				
Loss for the year	–	–	(10,432)	(10,432)
Foreign exchange movements	–	10,506	–	10,506
<i>Transactions with shareholders</i>				
Shares issued	51,356	–	–	51,356
Balance as at 31 March 2013	<u>638,009</u>	<u>26,203</u>	<u>(100,042)</u>	<u>564,170</u>
<i>Other comprehensive income</i>				
Profit for the year	–	–	161,672	161,672
Foreign exchange movements	–	(6,742)	–	(6,742)
Balance as at 31 March 2014	<u>638,009</u>	<u>19,461</u>	<u>61,630</u>	<u>719,100</u>

Statement of cash flows

For the three years ended 31 March 2014

	<i>Year ended 31 March 2014 £</i>	<i>Year ended 31 March 2013 £</i>	<i>Year ended 31 March 2012 £</i>
Cash/(loss) flows from operating activities			
Profit/(loss) for the year	161,672	(10,432)	(80,640)
Depreciation and amortisation	51,216	50,635	11,617
Net foreign exchange differences	(3,059)	4,541	12,585
(Increase)/decrease in trade and other receivables	(64,205)	(59,676)	384
Decrease/(increase) in inventories	(26,806)	3,549	691
Increase in trade and other payables	48,486	33,191	65,856
Increase/(decrease) in deferred tax asset	32,832	(4,850)	(32,734)
Increase/(decrease) in income taxes payable	32,235	19,465	(31,344)
Net cash inflow/(outflow) from operating activities	<u>232,371</u>	<u>36,423</u>	<u>(53,585)</u>
Cash flows from investing activities			
Purchases of property, plant and equipment	(32,812)	(56,606)	(375,762)
Purchases of intangible assets	(29,858)	(11,783)	(35,326)
Net cash outflow from investing activities	<u>(62,670)</u>	<u>(68,389)</u>	<u>(411,088)</u>
Cash flows from financing activities			
Movement in shareholder current accounts	(2,022)	(13,600)	29,729
Issued share capital	–	51,356	586,653
Dividends paid	–	–	(108,418)
Net cash inflow from financing activities	<u>(2,022)</u>	<u>37,756</u>	<u>507,964</u>
Net increase in cash and cash equivalents	167,679	5,790	43,291
Unrealised foreign exchange (losses)/gains	(3,683)	5,931	3,109
Cash and cash equivalents at the beginning of the financial year	<u>88,362</u>	<u>76,641</u>	<u>30,241</u>
Cash and cash equivalents at end of year	<u>252,358</u>	<u>88,362</u>	<u>76,641</u>

Notes to the Historical Financial Information

1. General information

Southern Lights Ventures 2002 Limited (“Southern Lights Biomaterials”) is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is PricewaterhouseCoopers, 36 Munroe Street, Napier. The principal activity of Southern Lights Biomaterials is the provision of processed and semi-processed bovine materials to medical device manufacturers.

2. Summary of significant accounting policies

(a) Basis of preparation

The historical financial information has been prepared by the Directors and the Proposed Director in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs), including International Financial Reporting Interpretations Committee (IFRIC) interpretations as endorsed by the European Union (EU) (“IFRS adopted by the EU”) (“Historical Financial Information”).

The Historical Financial Information has been prepared on the historical cost basis except for certain financial liabilities incorporated at fair value. The Historical Financial Information is presented in sterling. The functional currency of the company is New Zealand Dollars. The principal accounting policies adopted are set out below.

Entities reporting

The Historical Financial Information is for Southern Lights Biomaterials as a separate individual legal entity.

Southern Lights Biomaterials is designated as a profit oriented entity for financial reporting purposes.

Statutory base

Southern Lights Biomaterials is a company registered under the New Zealand Companies Act 1993.

Historical cost convention

The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of available for sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

The preparation of Historical Financial Information in conformity with IFRS adopted by the EU requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in note 4.

New standards and interpretations issued but not effective and not early adopted

IASB and IFRIC have issued the following standards and interpretations, which are considered relevant to Southern Lights Biomaterials, have not been early adopted and are not expected to have a material impact on Southern Lights Biomaterials’ results:

IFRS 10, IFRS 12, IAS 27, IAS 28	Group Entities (amended)
IFRS 2	Share based Payment – Improvements
IFRS 8	Operating Segments – Improvements
IFRS 15	Revenue from contracts with customers
IFRS 13	Fair Value Measurement – Improvements
IAS 24	Related party Disclosures – Improvements
IFRS 9	Financial Instruments
IFRS 11	Joint Arrangements
IAS 38	Depreciation and Amortisation

The Directors and Proposed Director anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial information when the relevant standards and interpretations come into effect.

(b) Going concern

Having considered uncertainties under the current economic environment, and after making enquiries, the Directors and the Proposed Director have a reasonable expectation that Southern Lights Biomaterials has adequate resources to continue in operation for the foreseeable future. Accordingly, they have adopted the going concern basis in preparing the Historical Financial Information.

(c) Foreign currency translation

Foreign exchange gain/(loss) through Statement of comprehensive income

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss component of the statement of comprehensive income. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss component of the statement of comprehensive income within 'finance income net'. All other foreign exchange gains and losses are presented in the profit and loss component of the statement of comprehensive income within 'other losses – net' (refer note 6).

Foreign exchange translation reserve through Statement of financial position

The Historical Financial Information is presented in sterling, which is the Company's presentational currency.

The results and financial position of Southern Lights Biomaterials as a result of its functional currency being different to the Company's presentational currency are translated into the Company's presentational currency as follows:

- (a) Assets and liabilities are translated at the closing rate at the reporting date; and
- (b) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rate prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions).

All resulting exchange differences are recognised in other comprehensive income in the foreign currency translation reserve (refer note 19a).

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. Southern Lights Biomaterials recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of Southern Lights Biomaterials' activities, as described below. Southern Lights Biomaterials bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sales of goods wholesale

Southern Lights Biomaterials manufactures and sells products to the wholesale market. Sales of goods are recognised when the entity has delivered products to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or Southern Lights Biomaterials has objective evidence that all criteria for acceptance have been satisfied.

(ii) Sales of services

Southern Lights Biomaterials sells consulting services. For sales of services, revenue is recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(e) Segmental reporting

The board of directors, as the chief operating decision making body, reviews financial information for and makes decisions about Southern Lights Biomaterials' overall bovine materials business and has identified a single operating segment, that of bovine material sales.

(f) Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of profit or loss and other comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where Southern Lights Biomaterials operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(g) Goods and Services Tax (GST)

The profit and loss component of the statement of comprehensive income has been prepared so that all components are stated exclusive of GST. All items in the balance sheet are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

(h) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss component of the statement of comprehensive income on a straight line basis over the period of the lease.

(i) Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term, highly liquid investments with original maturities of three months or less and bank overdrafts.

(j) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that Southern Lights Biomaterials will not be able to collect all amounts due according to the original terms of receivables. The amount of provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and where applicable, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost is determined on a first in, first out basis and in the case of manufactured goods, includes direct materials, labour and production overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(l) Investments and other financial assets

Classification

Southern Lights Biomaterials classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non current assets. Southern Lights Biomaterials' loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position (notes 2(h) and (i)).

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date – the date on which Southern Lights Biomaterials commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit and loss component of the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and Southern Lights Biomaterials has transferred substantially all risks and rewards of ownership. Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(m) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Southern Lights Biomaterials and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit and loss component of the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the diminishing value method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Leasehold land	10% – 13%
Plant and equipment	8% – 50%
Office equipment	9.5% – 60%
Software	50%

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within ‘Other losses – net’ in the profit and loss component of the statement of comprehensive income.

(n) Intangible assets

Patents

Costs incurred in registering patents and trademarks are recognised as intangible assets with a finite useful life and are capitalised at cost and amortised over their remaining useful lives. Where patents and trademarks have not been formerly approved these costs are capitalised where Southern Lights Biomaterials can prove it still has rights to future economic benefits and the granting of patent and trademark approval is probable. Costs incurred in this instance are not amortised until they have been fully approved. Amortisation is calculated using the straight line method to allocate the cost of patents and trademarks over their estimated useful lives of 16 years.

(o) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3. Financial risk management

Southern Lights Biomaterials’ activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. Southern Lights Biomaterials’ overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Southern Lights Biomaterials’ financial performance.

Southern Lights Biomaterials’ principal financial assets are cash and cash equivalents and trade and other receivables. Southern Lights Biomaterials’ principal financial liabilities are trade payables.

	<i>As at</i> 31 March 2014 £	<i>As at</i> 31 March 2013 £	<i>As at</i> 31 March 2012 £
Financial assets			
Cash and cash equivalents	252,358	88,362	76,641
Trade and other receivables	187,249	142,654	87,768
	<u>439,607</u>	<u>231,016</u>	<u>164,409</u>
Financial liabilities			
Trade and other payables	183,943	135,457	102,266
Shareholder current accounts	18,399	20,421	34,021
	<u>202,342</u>	<u>155,878</u>	<u>136,287</u>

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial investment will fluctuate because of changes in market prices.

Foreign exchange risk

Southern Lights Biomaterials has overseas revenue in US dollars and trade payables in US Dollars, Canadian Dollars and Euros, and is exposed to foreign currency risk. The functional currency of Southern Lights Biomaterials is New Zealand Dollars.

Southern Lights Biomaterials' exposure to foreign currency risk at the reporting date for the carrying amounts of the company's financial assets and liabilities are denominated in Sterling except as set out below:

	31 March 2014			EURO €	31 March 2013		31 March 2012	
	NZD \$	USD \$	CAN \$		NZD \$	USD \$	NZD \$	USD \$
Cash and cash equivalents	113,734	322,047	–	–	56,578	87,161	125,607	19,306
Trade receivables	88,978	275,674	–	–	56,638	177,060	74,259	79,353
Trade payables	(292,732)	(9,165)	(3,000)	(3,126)	(230,932)	(12,893)	(199,013)	(402)

The sensitivities below show the potential impact of a change in foreign exchange rate of plus or minus ten percent.

31 March 2014	<i>Carrying amount</i> £	<i>Foreign exchange risk</i>	
		<i>–10% Profit/OCI</i> £	<i>+10% Profit/OCI</i> £
Financial assets			
Cash and cash equivalents	252,358	21,451	(17,586)
Trade and other receivables	187,249	18,379	(15,037)
Financial liabilities			
Trade payables	(183,943)	(1,079)	883
Total increase/(decrease)		<u>38,751</u>	<u>(31,740)</u>

31 March 2013	<i>Carrying amount</i> £	<i>Foreign exchange risk</i>	
		<i>-10% Profit</i> £	<i>+10% Profit</i> £
Financial assets			
Cash and cash equivalents	88,362	6,362	(5,203)
Trade and other receivables	142,654	12,922	(10,572)
Financial liabilities			
Trade payables	(135,457)	(941)	770
Total increase/(decrease)		<u>18,343</u>	<u>(15,005)</u>

31 March 2012	<i>Carrying amount</i> £	<i>Foreign exchange risk</i>	
		<i>-10% Profit</i> £	<i>+10% Profit</i> £
Financial assets			
Cash and cash equivalents	76,641	1,215	(1,227)
Trade and other receivables	87,768	5,522	(4,518)
Financial liabilities			
Trade payables	(102,266)	(28)	23
Total increase/(decrease)		<u>6,709</u>	<u>(5,722)</u>

(b) Credit risk

Credit risk is managed on a company-wide basis. Southern Lights Biomaterials is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If wholesale customers are independently rated, these ratings are used. For customers if there is no independent rating, Southern Lights Biomaterials assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. See below and note 15 for further disclosure on credit risk.

The following is an ageing analysis of trade receivables, none of which are classified as past due but not impaired by the Company.

	<i>As at</i> <i>31 March</i> <i>2014</i> £	<i>As at</i> <i>31 March</i> <i>2013</i> £	<i>As at</i> <i>31 March</i> <i>2012</i> £
Trade receivables			
Not more than three months	162,453	124,494	57,247
More than three months but not more than six months	2,955	9	–
	<u>165,408</u>	<u>124,503</u>	<u>57,247</u>
Total trade receivables	<u>165,408</u>	<u>124,503</u>	<u>57,247</u>
Cash at bank and short term bank deposits	<u>252,358</u>	<u>88,362</u>	<u>76,641</u>
Loans to related parties			
Shareholder loans	<u>18,399</u>	<u>20,421</u>	<u>34,021</u>

(c) Liquidity risk

Southern Lights Biomaterials' approach to liquidity risk management is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities as they fall due.

	<i>As at 31 March 2014 £ Less than 12 months</i>	<i>As at 31 March 2013 £ Less than 12 months</i>	<i>As at 31 March 2012 £ Less than 12 months</i>
Shareholder loans	18,399	20,421	34,021
Trade payables	112,087	119,843	95,680
	<u>130,486</u>	<u>140,264</u>	<u>129,701</u>

(d) Financial instruments by category

Financial assets as per balance sheet

At 31 March 2014

Trade and other receivables	211,649
Cash and cash equivalents	252,358
	<u>464,007</u>

*Loans and
receivables
£*

At 31 March 2013

Trade and other receivables	147,444
Cash and cash equivalents	88,362
	<u>235,806</u>

*Loans and
receivables
£*

At 31 March 2012

Trade and other receivables	87,768
Cash and cash equivalents	76,641
	<u>164,409</u>

*Loans and
receivables
£*

Financial liabilities as per balance sheet

At 31 March 2014

Borrowings	18,399
Trade and other payables	183,943
	<u>202,342</u>

*Measured at
amortised cost*

At 31 March 2013

Borrowings	20,421
Trade and other payables	135,457
	<u>155,878</u>

At 31 March 2012

Borrowings	34,021
Trade and other payables	102,266
	<u>136,287</u>

(e) Capital risk management

Southern Lights Biomaterials' capital includes share capital, reserves and retained earnings. Southern Lights Biomaterials' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

There have been no changes in Southern Lights Biomaterials' management of capital during the three years ended 31 March 2014.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5. Revenue

	<i>Year ended 31 March 2014 £</i>	<i>Year ended 31 March 2013 £</i>	<i>Year ended 31 March 2012 £</i>
From continuing operations			
<i>Sales revenue</i>			
Retail goods	855,743	747,117	356,510
Manufactured goods	237,307	139,000	365,706
Consulting fees	173,391	26,067	27,792
	<u>1,266,441</u>	<u>912,184</u>	<u>750,008</u>
Other revenue	83	5,705	12,493
	<u>1,266,524</u>	<u>917,889</u>	<u>762,501</u>

6. Other losses, net

	<i>Year ended 31 March 2014 £</i>	<i>Year ended 31 March 2013 £</i>	<i>Year ended 31 March 2012 £</i>
Net gain on disposal of property, plant and equipment	–	288	–
Foreign exchange losses	(29,964)	(10,027)	(3,100)
	<u>(29,964)</u>	<u>(9,739)</u>	<u>(3,100)</u>

7. Finance income and expenses

	<i>Year ended 31 March 2014 £</i>	<i>Year ended 31 March 2013 £</i>	<i>Year ended 31 March 2012 £</i>
Bank loans	43	984	1
Total finance costs	<u>43</u>	<u>984</u>	<u>1</u>
Short term bank deposits	1,697	1,009	315
Total finance income	<u>1,697</u>	<u>1,009</u>	<u>315</u>
Net finance income	<u>1,654</u>	<u>25</u>	<u>314</u>

8. Expenses

	<i>Year ended 31 March 2014 £</i>	<i>Year ended 31 March 2013 £</i>	<i>Year ended 31 March 2012 £</i>
Classification of expenses by nature			
Employee benefits expense	442,051	405,841	311,357
Depreciation and amortisation expense (notes 11 and 12)	51,216	50,635	11,617
Other expenses	340,619	270,358	327,567
Operating lease expenses	57,617	59,342	40,155
	<u>891,503</u>	<u>786,176</u>	<u>690,696</u>

9. Employee benefit expense

	<i>Year ended 31 March 2014 £</i>	<i>Year ended 31 March 2013 £</i>	<i>Year ended 31 March 2012 £</i>
Employee benefit expense			
Wages and salaries, including restructuring costs and other termination benefits	420,107	405,841	311,357
Termination benefits	21,944	–	–
	<u>442,051</u>	<u>405,841</u>	<u>311,357</u>

During the year ending 31 March 2014 (2013 and 2012: £nil) a full and final settlement payment has been accrued for in relation to an employee of the company to complete the termination of employment. This amount was settled on 9 April 2014 and Southern Lights Biomaterials does not expect any other costs as part of this settlement agreement.

10. Income tax

	<i>Year ended</i> <i>31 March</i> <i>2014</i> £	<i>Year ended</i> <i>31 March</i> <i>2013</i> £	<i>Year ended</i> <i>31 March</i> <i>2012</i> £
(a) Income tax expense/(credit)			
Current tax:			
Current tax on profits for the year	32,121	–	–
Prior period adjustment	–	–	909
Total current tax	<u>32,121</u>	<u>–</u>	<u>909</u>
Deferred tax (note 13):			
Origination and reversal of temporary differences	30,556	(2,312)	(32,268)
Total deferred tax	30,556	(2,312)	(32,268)
Income tax expense/(credit)	<u>62,677</u>	<u>(2,312)</u>	<u>(31,359)</u>
Deferred income tax (revenue) expense included in income tax expense/(credit) comprises:			
Decrease (increase) in deferred tax assets (note 13)	30,556	(2,312)	(32,268)
	<u>30,556</u>	<u>(2,312)</u>	<u>(32,268)</u>
(b) Numerical reconciliation of income tax expense/(credit) to prima facie tax payable			
Profit/(loss) from continuing operations before income tax expense	224,349	(12,744)	(111,999)
Income tax @ 28%	62,818	(3,568)	(31,359)
Tax effects of:			
Imputation credits	9	9	–
Expenses not deductible for tax purposes	316	847	–
Utilisation of previously unrecognised tax losses	–	(32)	–
Imputation credits utilised	(32)	–	–
Timing differences	(434)	432	–
	<u>62,677</u>	<u>(2,312)</u>	<u>(31,359)</u>
Income tax expense/(credit)	<u>62,677</u>	<u>(2,312)</u>	<u>(31,359)</u>

11. Property, plant and equipment

At 31 March 2012		<i>Leasehold land</i>	<i>Plant and equipment</i>	<i>Office equipment</i>	<i>Total</i>	
		£	£	£	£	
Year ended 31 March 2012						
Opening net book amount		–	1,841	3,262	5,103	
Additions		277,644	94,659	3,459	375,762	
Depreciation charge		(6,956)	(3,164)	(1,497)	(11,617)	
Closing net book amount		<u>270,688</u>	<u>93,336</u>	<u>5,224</u>	<u>369,248</u>	
At 31 March 2012						
Cost		277,745	96,616	20,305	394,666	
Accumulated depreciation		<u>(7,057)</u>	<u>(3,280)</u>	<u>(15,081)</u>	<u>(25,418)</u>	
Net book amount		<u>270,688</u>	<u>93,336</u>	<u>5,224</u>	<u>369,248</u>	
At 31 March 2013		<i>Leasehold land</i>	<i>Plant and equipment</i>	<i>Office equipment</i>	<i>Software</i>	<i>Total</i>
		£	£	£	£	£
Year ended 31 March 2013						
Opening net book amount		270,687	93,336	5,224	–	369,247
Additions		39,182	6,566	3,156	7,992	56,896
Disposals		–	(269)	(21)	–	(290)
Depreciation charge		<u>(30,922)</u>	<u>(12,931)</u>	<u>(2,074)</u>	<u>(2,331)</u>	<u>(48,258)</u>
Closing net book amount		<u>278,947</u>	<u>86,702</u>	<u>6,285</u>	<u>5,661</u>	<u>377,595</u>
At 31 March 2013						
Cost		316,924	102,914	23,441	7,992	451,271
Accumulated depreciation		<u>(37,977)</u>	<u>(16,212)</u>	<u>(17,156)</u>	<u>(2,331)</u>	<u>(73,676)</u>
Net book amount		<u>278,947</u>	<u>86,702</u>	<u>6,285</u>	<u>5,661</u>	<u>377,595</u>
At 31 March 2014		<i>Leasehold land</i>	<i>Plant and equipment</i>	<i>Office equipment</i>	<i>Software</i>	<i>Total</i>
		£	£	£	£	£
Year ended 31 March 2014						
Opening net book amount		278,947	86,702	6,285	5,661	377,595
Additions		4,025	24,544	1,779	2,464	32,812
Depreciation charge		<u>(30,107)</u>	<u>(12,608)</u>	<u>(2,225)</u>	<u>(3,862)</u>	<u>(48,802)</u>
Closing net book amount		<u>252,865</u>	<u>98,638</u>	<u>5,839</u>	<u>4,263</u>	<u>361,605</u>
At 31 March 2014						
Cost		320,948	127,458	25,220	10,457	484,083
Accumulated depreciation		<u>(68,083)</u>	<u>(28,820)</u>	<u>(19,381)</u>	<u>(6,194)</u>	<u>(122,478)</u>
Net book amount		<u>252,865</u>	<u>98,638</u>	<u>5,839</u>	<u>4,263</u>	<u>361,605</u>

12. Intangible assets

	<i>Patents, trademarks and other rights £</i>
Year ended 31 March 2012	
Opening net book amount	–
Additions	35,326
Amortisation charge	–
Closing net book amount	<u>35,326</u>
At 31 March 2012	
Cost	<u>35,326</u>
Net book amount	<u>35,326</u>
	<i>Patents, trademarks and other rights £</i>
Year ended 31 March 2013	
Opening net book amount	35,326
Additions	11,783
Amortisation charge	<u>(2,377)</u>
Closing net book amount	<u>44,732</u>
At 31 March 2013	
Cost	47,109
Accumulated amortisation and impairment	<u>(2,377)</u>
Net book amount	<u>44,732</u>
	<i>Patents, trademarks and other rights £</i>
Year ended 31 March 2014	
Opening net book amount	44,732
Additions	29,858
Amortisation charge	<u>(2,414)</u>
Closing net book amount	<u>72,176</u>
At 31 March 2014	
Cost	76,967
Accumulated amortisation and impairment	<u>(4,791)</u>
Net book amount	<u>72,176</u>

13. Deferred tax assets

	<i>As at 31 March 2014 £</i>	<i>As at 31 March 2013 £</i>	<i>As at 31 March 2012 £</i>
The balance comprises temporary differences attributable to:			
Tax losses	–	31,549	30,451
Employee benefits	4,719	3,663	1,818
	<u>4,719</u>	<u>35,212</u>	<u>32,269</u>
Exchange differences	33	2,372	465
Total deferred tax assets	<u>4,752</u>	<u>37,584</u>	<u>32,734</u>
Net deferred tax assets	<u>4,752</u>	<u>37,584</u>	<u>32,734</u>

The gross movement on the deferred income tax account is as follows:

Movements:

At 1 April	37,584	32,734	–
Exchange differences	(2,276)	2,538	523
Statement of profit or loss and other comprehensive income charge (note 10)	<u>(30,556)</u>	<u>2,312</u>	<u>32,268</u>
At 31 March	<u>4,752</u>	<u>37,584</u>	<u>32,791</u>
Deferred tax assets to be recovered within 12 months	<u>4,752</u>	<u>37,584</u>	<u>32,791</u>
	<u>4,752</u>	<u>37,584</u>	<u>32,791</u>

14. Cash and cash equivalents

	<i>As at 31 March 2014 £</i>	<i>As at 31 March 2013 £</i>	<i>As at 31 March 2012 £</i>
Cash at bank and in hand	252,358	88,362	76,641
	<u>252,358</u>	<u>88,362</u>	<u>76,641</u>

Cash and cash equivalents comprise cash held by the company as noted. The carrying amount approximates the fair value.

15. Trade and other receivables

	<i>As at 31 March 2014 £</i>	<i>As at 31 March 2013 £</i>	<i>As at 31 March 2012 £</i>
Trade receivables	165,408	124,503	57,247
GST	21,841	18,151	30,521
Prepayments	24,400	4,790	–
	<u>211,649</u>	<u>147,444</u>	<u>87,768</u>

Trade receivables are stated net of bad debt provisions of £nil (2013 and 2012: £nil). The Directors and the Proposed Director consider that the carrying value of trade and other receivables represents their fair value.

16. Inventories

	<i>As at 31 March 2014 £</i>	<i>As at 31 March 2013 £</i>	<i>As at 31 March 2012 £</i>
Raw materials at cost	5,885	3,348	3,841
Work in progress at cost	9,997	7,787	8,935
Finished goods at cost	34,996	12,937	14,845
	<u>50,878</u>	<u>24,072</u>	<u>27,621</u>

The Directors and the Proposed Director consider that the carrying value of inventories approximates their fair value.

During the year ended 31 March 2014, the cost of inventories, recognised as an expense and included within cost of sales, amounted to £94,137.

17. Share capital

	<i>2014 Shares</i>	<i>2013 Shares</i>	<i>2012 Shares</i>	<i>2014 £</i>	<i>2013 £</i>	<i>2012 £</i>
Balance at 1 April	1,434	1,109	100	638,009	586,653	–
Shares issued	<u>–</u>	<u>325</u>	<u>1,009</u>	<u>–</u>	<u>51,356</u>	<u>586,653</u>
	<u>1,434</u>	<u>1,434</u>	<u>1,109</u>	<u>638,009</u>	<u>638,009</u>	<u>586,653</u>

All shares are authorised, issued and fully paid (£nil par value).

18. Reserves and retained earnings

	<i>As at 31 March 2014 £</i>	<i>As at 31 March 2013 £</i>	<i>As at 31 March 2012 £</i>
(a) Reserves			
Foreign currency translation reserve	<u>19,461</u>	<u>26,203</u>	<u>15,697</u>
Movements in reserves were as follows:			
Foreign currency translation reserve			
Balance at 1 April	26,203	15,697	–
Currency translation differences	<u>(6,742)</u>	<u>10,506</u>	<u>15,697</u>
	<u>19,461</u>	<u>26,203</u>	<u>15,697</u>
(b) Retained earnings			
Movements in retained earnings were as follows:			
Balance at 1 April	(100,042)	(89,610)	99,448
Net profit/(loss) for the year	161,672	(10,432)	(80,640)
Dividends	<u>–</u>	<u>–</u>	<u>(108,418)</u>
Balance at 31 March	<u>61,630</u>	<u>(100,042)</u>	<u>(89,610)</u>

19. Trade and other payables

	<i>As at 31 March 2014 £</i>	<i>As at 31 March 2013 £</i>	<i>As at 31 March 2012 £</i>
Trade payables	112,087	119,843	95,680
Accrued expenses	71,856	15,614	6,586
	<u>183,943</u>	<u>135,457</u>	<u>102,266</u>

The Directors and the Proposed Director consider that the carrying amount of trade and other payables approximates to their fair value.

20. Shareholder loans

	<i>As at 31 March 2014 £</i>	<i>As at 31 March 2013 £</i>	<i>As at 31 March 2012 £</i>
Shareholder loans	<u>18,399</u>	<u>20,421</u>	<u>34,021</u>

The shareholder current accounts are used to record transactions with shareholders. These accounts are non interest bearing and are not secured against any other assets owned by Southern Lights Biomaterials. These accounts are repaid periodically and are considered to be repayable on demand.

21. Contingencies

As at 31 March 2014 Southern Lights Biomaterials had no contingent liabilities or assets (2013 and 2012: £nil).

22. Commitments

- (a) As at 31 March 2014 Southern Lights Biomaterials had no capital commitments (2013 and 2012: £nil).
- (b) Southern Lights Biomaterials leases various offices and warehouses under non cancellable operating lease agreements. The lease terms are five years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non cancellable operating leases are as follows:

	<i>As at 31 March 2014 £</i>	<i>As at 31 March 2013 £</i>	<i>As at 31 March 2012 £</i>
Land and Buildings			
No later than 1 year	57,613	60,961	56,826
Later than 1 year and no later than 5 years	91,050	157,302	203,458
Total	<u>148,663</u>	<u>218,263</u>	<u>260,284</u>
Commitments not recognised in the Historical Financial Information	<u>148,663</u>	<u>218,263</u>	<u>260,284</u>

23. Related party transactions

(a) Key management and personnel compensation

Key management personnel compensation for the years ended 31 March 2014, 31 March 2013 and 31 March 2012 is set out below. The key management personnel are all of the Directors of the company and the four executives with the greatest authority for the strategic direction and management of the company.

	<i>Short term benefits</i>	<i>Total</i>
	£	£
2014	221,736	221,736
2013	206,506	206,506
2012	144,700	144,700

In the year ended 31 March 2012, options were granted to a director of Southern Lights Biomaterials. John Higgins was granted a number of shares in the ordinary capital of Southern Lights Biomaterials that represent (as at the option settlement date) 7.6 per cent. of the total number of ordinary shares up to a maximum of 76 shares, at a subscription price of NZ\$1. The option vested on the date at which Southern Lights Biomaterials first achieved annual gross margin of NZ\$1,000,000.

(b) Outstanding balances

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	<i>As at 31 March 2014</i>	<i>As at 31 March 2013</i>	<i>As at 31 March 2012</i>
	£	£	£
<i>Current payables</i>			
Shareholder loans (note 20)	18,399	20,421	34,021

(c) Revenue from related parties

The following revenue was received from Innervision Medical, a related party of Southern Lights Biomaterials due to a director of Southern Lights Biomaterials acting in a management capacity at Innervision Medical during the Historical Financial Information period.

	£
2014	–
2013	8,337
2012	28,336

24. Events occurring after the reporting period

In June 2014 Southern Lights Biomaterials entered a contract to purchase a Cuddon FD80 Freeze Dryer for NZ\$211,500. This is to be paid in instalments with a 30 per cent. deposit, 30 per cent. progress claim, 30 per cent. on shipping, and 10 per cent. final claim on installation and commissioning. This purchase was financed through Westpac New Zealand Limited. With effect from 30 October 2014, the loan was refinanced through 1615915 Alberta Limited, one of the Vendors, which has adopted the loan terms agreed with Westpac. The loan with Westpac will have been discharged by completion from funds drawn from 1615915 Alberta Limited.

In August 2014 the Napier offices which Southern Lights Biomaterials had been leasing were sold. Southern Lights Biomaterials renegotiated the contract, which was due to end in 2016, and will now vacate before December 2014. This releases Southern Lights Biomaterials from an operating lease commitment of NZ\$1,124 per month.

In accordance with the acquisition agreement dated 21 November 2014, the Company has agreed to acquire the Vendor's shares representing 100% of the issued share capital of Southern Lights Biomaterials, as detailed in paragraph 10.1(p) of Part V of this document.

Section C – Accountant’s Report on Southern Lights Biomaterials

The following is the full text of a report on Southern Lights Biomaterials from Baker Tilly Corporate Finance LLP, the Reporting Accountants, to the Directors and Proposed Director of Collagen Solutions plc.



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The Directors and Proposed Director
Collagen Solutions plc
Condor House
10 St Paul’s Churchyard
London
EC4M 8AL

21 November 2014

Dear Sirs,

Southern Lights Ventures 2002 Limited (“Southern Lights Biomaterials”)

We report on the financial information of Southern Lights Biomaterials (the “Historical Financial Information”) set out in Section B of Part III of the Admission Document dated 21 November 2014 (“Admission Document”) of Collagen Solutions plc (“the Company”). This Historical Financial Information has been prepared for inclusion in the Admission Document on the basis of the accounting policies set out at Note 2 to the Historical Financial Information. This report is required by paragraph 20.1 of Annex I of Appendix 3.1.1 of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Save for any responsibility arising under paragraph 20.1 of Annex I of Appendix 3.1.1 of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law, we do not accept or assume responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 20.1 of Annex I of Appendix 3.1.1 of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules, or consenting to its inclusion in the Admission Document.

Responsibilities

As described in Section B of Part III, the Directors and Proposed Director of the Company are responsible for preparing the Historical Financial Information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Historical Financial Information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the Historical Financial Information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Historical Financial Information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of Southern Lights Biomaterials as at the dates stated and of its results, cash flows and changes in equity for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of part (a) of Schedule Two to the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with item 1.2 of Annex I and item 1.2 of Annex III of Appendix 3.1.1 of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules.

Yours faithfully

Baker Tilly Corporate Finance LLP

Regulated by the Institute of Chartered Accountants in England and Wales

Baker Tilly Corporate Finance LLP is a limited liability partnership registered in England and Wales, registered no. 00325347. A list of the names of members is open to inspection at the registered office, 25 Farringdon Street, London EC4A 4AB.

PART IV

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE ENLARGED GROUP

The unaudited pro forma statement of net assets set out below has been prepared to illustrate the effect of the acquisition of Southern Lights Biomaterials on the Company's net assets as if it had occurred on 31 March 2014. It is the sole responsibility of the Directors and Proposed Director to prepare the pro forma statement. It has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and therefore does not represent the Company's or the Enlarged Group's actual financial position or results. The unaudited pro forma statement of net assets has been prepared on the basis set out in the notes below:

Unaudited pro forma Statement of Net Assets of the Enlarged Group as at 31 March 2014

	<u>Adjustments</u>				<i>Pro forma net assets 31 March 2014 £'000</i>
	<i>The Company as at 31 March 2014 £'000 Note</i>	<i>Southern Lights Biomaterials as at 31 March 2014 £'000 (3)</i>	<i>Acquisition accounting adjustments £'000 (4,5)</i>	<i>Placing Proceeds £'000 (5)</i>	
Intangible assets	6,894	72	5,539	–	12,505
Property, plant and equipment	232	362	–	–	594
Deferred tax assets	–	5	–	–	5
Non current assets	<u>7,126</u>	<u>439</u>	<u>5,539</u>	<u>–</u>	<u>13,104</u>
Inventories	39	51	–	–	90
Trade & other receivables	167	212	–	–	379
Cash and equivalents	1,492	252	–	5,229	6,973
Current assets	<u>1,698</u>	<u>515</u>	<u>–</u>	<u>5,229</u>	<u>7,442</u>
Total assets	<u><u>8,824</u></u>	<u><u>954</u></u>	<u><u>5,539</u></u>	<u><u>5,229</u></u>	<u><u>20,546</u></u>
Trade and other payables	(97)	(184)	–	–	(281)
Loans	(53)	(18)	–	–	(71)
Tax payable	(10)	(32)	–	–	(42)
Current liabilities	<u>(160)</u>	<u>(234)</u>	<u>–</u>	<u>–</u>	<u>(393)</u>
Contingent consideration	(2,409)	–	(2,086)	–	(4,495)
Non current liabilities	<u>(2,409)</u>	<u>–</u>	<u>(2,086)</u>	<u>–</u>	<u>(4,495)</u>
Net assets	<u><u>6,256</u></u>	<u><u>720</u></u>	<u><u>3,453</u></u>	<u><u>5,229</u></u>	<u><u>15,658</u></u>

- The pro forma statement of net assets has been prepared in a manner consistent with the accounting policies adopted by the Company for the year ended 31 March 2014.
- Financial information in respect of the Company has been extracted without material adjustment from the audited financial statements of the Company, which are publicly available. No account has been taken of the performance of the Company since 31 March 2014.
- Financial information in respect of Southern Lights Biomaterials has been extracted without material adjustment from the Historical Financial Information of Southern Lights Biomaterials for the three years ended 31 March 2014, which is set out in Part III of this document. No account has been taken of the performance of Southern Lights Biomaterials since 31 March 2014.
- For the purpose of the pro forma statement of net assets, the difference between the consideration payable for Southern Lights Biomaterials and the net assets of Southern Lights Biomaterials is shown as goodwill in intangible assets.

	£'000
Purchase consideration:	
Cash consideration	2,608
Consideration shares	1,565
Deferred consideration	2,086
Net assets of Southern Lights Biomaterials as at 31 March 2014	(719)
	<hr/>
Goodwill re acquisition of Southern Lights Biomaterials	5,539
	<hr/> <hr/>

The calculation of purchase consideration has been extracted from paragraph 5 in Part I of this document and is based on valuing the Company's shares at the issue price per share of 7 pence. The number of the Company's shares to be issued as Consideration Shares is 21,428,572.

5. Aggregate fees and expenses not exceeding £771,000 (including VAT) are expected to be incurred in connection with the Acquisition.
6. The pro forma statement of net assets does not give effect to fair value adjustments to net assets. The fair value adjustments, when finalised post acquisition, may be material. In all other respects the transaction has been accounted for as an acquisition in accordance with IFRS 3 Business Combinations.

PART V

ADDITIONAL INFORMATION

1. Responsibility Statements

The Directors and the Proposed Director, whose names appear on page 4 of this document, and the Company, accept responsibility, both individually and collectively, for the information contained in this document. To the best of the knowledge of the Directors, the Proposed Director and the Company, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Company

- 2.1 The Company was incorporated and registered in England and Wales on 15 March 2013 under the Act as Healthcare Investment Opportunities plc, a public company limited by shares and with registered number 08446337.
- 2.2 The principal legislation under which the Company operates is the Act and the regulations made thereunder. The liability of the members of the Company is limited.
- 2.3 The Company's registered office is at c/o Shepherd & Wedderburn LLP, Condor House, 10 St Paul's Churchyard, London EC4M 8AL. The Company's telephone number is 0141 558 2008.
- 2.4 The principal activity of the Company is that of the manufacture and supply of Collagen-derived biomaterials.
- 2.5 The Company has two trading subsidiaries: Collbio registered in England and Wales under number 8419577, and Collagen Solutions (US) Inc., a wholly owned subsidiary of Collagen Solutions (UK) Limited.

3. Share Capital

- 3.1 On incorporation the issued share capital of the Company was £1 divided into 1 ordinary share of £1.
- 3.2 On 26 March 2013, the ordinary share of £1 each was subdivided into 10 ordinary shares of 10p each.
- 3.3 On 26 March 2013, David Evans, Kevin Wilson and Malcolm Gillies respectively subscribed for 124,990, 125,000 and 250,000 ordinary shares of 10p each.
- 3.4 On 28 March 2013, each ordinary share of 10p was subdivided into 1 ordinary share of 1p and 1 deferred share of 9p in the capital of the Company, resulting in 500,000 Ordinary Shares and 500,000 Deferred Shares being in issue.
- 3.5 On 5 April 2013, 40,000,000 Ordinary Shares were issued pursuant to a placing.
- 3.6 On 2 January 2014, a further 23,326,007 Ordinary Shares were issued pursuant to the acquisition of the whole share capital of Collbio and the business and assets of Collagen Solutions LLC. These shares were issued for consideration other than cash as their issue comprised part of the consideration paid in respect of the acquisitions. The shares referred to in this paragraph which were issued for consideration other than cash comprised at the date of issue (and comprise at the date of this document) more than 10 per cent. of the Company's share capital.

- 3.7 The Acquisition will result in the issue of 21,428,572 new Ordinary Shares and the Placing will result in the issue of 85,714,286 new Ordinary Shares. The Company's share capital is, at the date of this document, and is expected to be, immediately following Admission:

	<i>At the date of this document</i>		<i>Following Admission</i>	
	<i>Ordinary Shares</i>		<i>Ordinary Shares</i>	
	<i>Amount £</i>	<i>Number</i>	<i>Amount £</i>	<i>Number</i>
Issued and fully paid	£638,260.07	63,826,007	£1,709,688.65	170,968,865

- 3.8 Save as set out in paragraphs 6.11, 6.12 and 7 of this Part V, the Company does not have in issue any securities not representing share capital and there are no outstanding convertible securities, exchangeable securities or securities with warrants issued or proposed to be issued by the Company.
- 3.9 Save as set out in this paragraph, there have been no movements in the Company's ordinary share capital since incorporation to the date of this document.
- 3.10 The provisions of section 561 of the Act (which confers upon Shareholders rights of pre-emption in respect of the allotment of equity securities which are or are to be, paid up in cash other than by way of allotment to employees under an employees' share scheme as defined in section 1166 of the Act) will apply to unissued shares in the capital of the Company to the extent not disapplied as described in paragraph 3.11 below.
- 3.11 Resolutions will be proposed at the General Meeting to authorise the Directors (i) to allot shares in the capital of the Company or to grant rights to subscribe for or to convert any security into shares in the capital of the Company up to a maximum nominal amount of £1,071,428.58 in respect of the Placing Shares and the Consideration Shares, (ii) to allot securities up to a maximum nominal amount of £569,896.22 (representing approximately one-third of the Enlarged Issued Share Capital), (iii) to allot securities in connection with a fully pre-emptive rights issue up to a maximum nominal amount of £569,896.22, and (iv) to dis-apply the statutory pre-emption provisions in respect of the allotment of (a) the Placing Shares, (b) equity securities for cash in connection with rights issues, open offers and other pre-emptive offers pursuant to the allotment authorities referred to in paragraphs (ii) and (iii) above, and (c) equity securities for cash up to a maximum nominal amount of £256,453.30 (representing approximately 15 per cent. of the Enlarged Issued Share Capital). Such authorities are in substitution for all existing allotment authorities and will expire on 31 December 2015, or, if earlier, at the conclusion of the next annual general meeting of the Company to be held after the passing of the Resolutions, unless previously revoked, varied or renewed by the Company in general meeting.

4. Major Shareholders

- 4.1 The following persons hold, as at the date of this document, and are expected (based on the information available as at the date of this document), following Admission, to hold directly or indirectly 3 per cent. or more of the Enlarged Share Issued Capital:

<i>Shareholder</i>	<i>Prior to Admission</i>		<i>Following Admission</i>	
	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>
Legal and General	6,000,000	9.40	16,000,000	9.36
David Evans	5,495,874	8.61	12,638,730	7.39
Hargreave Hale	4,000,000	6.27	10,000,000	5.85
Diane Mitchell	3,663,004	5.74	3,663,004	2.14
Jacqueline Burgin (née Schroeder)	3,663,003	5.74	3,663,003	2.14
Stewart White	3,107,184	4.87	3,464,327	2.03
Rathbones Investment Management	2,825,000	4.43	5,931,000	3.47
City Financial Investment Company Limited	2,500,000	3.92	3,386,500	1.98
Neil McArthur	2,470,874	3.87	3,652,874	2.14
Brian Geoffrey Bennett	–	–	6,321,429	3.70

- 4.2 None of the holders of Ordinary Shares listed above has voting rights different from the other Shareholders.

- 4.3 Neither the Company nor the Directors nor the Proposed Director are aware of any person or persons who either alone or, if connected, jointly following Admission will (directly or indirectly) exercise or could exercise control over the Company.
- 4.4 Insofar as is known to the Company, no arrangements are in place, the operation of which may at a later date result in a change of control of the Company.

5. Memorandum and Articles of Association

5.1 Memorandum of Association

In accordance with the Act, the Company's Memorandum of Association does not set out any objects or purposes. The Company's objects are unrestricted and its purposes are therefore whatever the Directors determine.

5.2 Articles of Association

The Articles which were adopted pursuant to a special resolution of the Company passed on 28 March 2013 contain provisions, *inter alia*, in respect of the Ordinary Shares, general meetings of the Company and the directors to the following effect:

(a) *Voting Rights*

Subject to any rights or restrictions attached to the shares (including as a result of unpaid calls) and/or as mentioned below, on a show of hands every member who (being an individual) is present in person or by proxy or (being a corporation) is present by a duly authorised representative and is entitled to have a vote shall upon a show of hands have one vote and on a poll every member who is present in person or by proxy and entitled to vote shall have one vote for every share of which he is the holder. Where, in respect of any shares, any registered holder or any other person appearing to be interested in such shares fails to comply with any notice given by the Company under section 793 of the Act, in the reasonable time period specified in the notice, the shares in question may be disenfranchised.

(b) *Major Shareholders*

Nothing in the Articles confers on major Shareholders in the Company any voting rights which are different to those conferred on the holders of Ordinary Shares as described in paragraph 5.2(a) above.

Pursuant to Rule 5.1 of the DTR, holders of three per cent. or more of the voting rights attaching to the Company's share capital are required to notify their holdings in writing to the Company. To the extent that persons who already hold at least three per cent. or more of the nominal value of the Company's share capital increase or decrease their holding, Rule 5.1 of the DTR requires that this is also notified to the Company by the shareholder.

Pursuant to section 793 of the Act, the Company may by notice in writing require a person whom the Company knows or has reasonable cause to believe to be or, at any time during the three years immediately preceding the date on which the notice is issued, to have been interested in shares comprised in the Company's issued share capital, to confirm that fact or (as the case may be) to indicate whether or not it is the case, and where that person holds, or has during that time held an interest in shares to comprised, to give such further information as may be required in accordance with section 793 of the Act.

(c) *General Meetings*

An annual general meeting shall be held once a year, within a period of not more than 6 months of the Company's accounting reference date.

Subject to a member's right to requisition a general meeting pursuant to section 303 of the Act, general meetings of the Company are convened at the discretion of the board, and with the exception of the annual general meeting, all such general meetings of the Company shall be called general meetings.

An annual general meeting shall be called by at least 21 clear days' notice in writing. All general meetings shall be called by at least 14 clear days' notice to the Company regardless of the type of resolution being passed (under section 307(1) of the Act). A notice must be served on a member in accordance with the provisions of the Act, that is, in hard copy form, or where the member has consented or is deemed to have consented under the Act, in electronic form or via a website. If the notice contains an electronic address for the Company, a member may send any document or information relating to the relevant general meeting to that electronic address. Notice shall be given to all members and the directors and the auditors.

The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given and shall specify the place, day and hour of the meeting. A notice calling an annual general meeting shall specify the meeting as such and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as such. Every notice must include a reasonably prominent statement that a member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of him and that a proxy need not be a member of the Company.

A general meeting may be called by shorter notice being less than 14 days with the consent of members who (i) are a majority in number and (ii) hold 95 per cent. in nominal value of the voting shares of the Company.

(d) *Changes in capital*

The Company may by ordinary resolution consolidate and divide its shares, or any of them, into shares of a larger amount. The Company may by ordinary resolution divide all or any of its share capital into shares of a larger amount or sub-divide all or any of its shares into shares of a smaller amount.

The Company may, from time to time, by special resolution reduce its share capital, any capital redemption reserve and any share premium account in any manner authorised, and with and subject to any incident prescribed or allowed by the Act and the rights attached to existing shares. Subject to and in accordance with the provisions of the Act, the Company may purchase its own shares (including redeemable shares).

(e) *Variation of Rights*

Subject to the Act and every other statute for the time being in force concerning companies and affecting the Company (the "Statutes"), if at any time the capital of the Company is divided into different classes of shares, all or any of the rights and privileges attached to any class of share may be varied or abrogated either:

in such a manner (if any) as may be provided by the rights attaching to such class; or

in the absence of any such provision, with the consent in writing of the holders of at least 75 per cent. of the nominal amount of the issued shares of the relevant class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of the relevant class. At any such separate meeting the holders present in person or by proxy of one third of the issued shares of the class in question shall be a quorum.

The creation or issue of shares ranking *pari passu* with or subsequent to the shares of any class shall not (unless otherwise expressly provided by these Articles or the rights attached to such last-mentioned shares as a class) be deemed to be a variation of the rights of such shares. A reduction of the capital paid up on any shares of any class will not be deemed to constitute a variation or abrogation of the rights attached to those shares. A purchase or redemption by the Company of any of its own shares in accordance with the provisions of the Statutes and of these Articles shall not be deemed to be a variation of the rights attaching to any shares.

(f) *Redemption*

The Company may, subject to the Statutes, create shares which are liable to be redeemed. As at the date of this document, there are no shares in issue which are capable of being redeemed by the Company.

(g) *Conversion*

The Company may from time to time, by ordinary resolution and subject to the Statutes, convert all or any of its fully-paid shares into stock of the same class and denomination and may from time to time in like manner reconvert such stock into fully paid up shares of the same class and denomination.

(h) *Distribution of assets on a winding up*

In the event of liquidation of the Company the holders of shares are entitled *pari passu* to any surplus dividends. A liquidator may, with the sanction of an extraordinary resolution, divide the assets among the members *in specie*.

(i) *Transfer of Shares*

The Ordinary Shares are in registered form and may be in certificated or uncertificated form. Shares in uncertificated form may be transferred otherwise than by written instrument in accordance with the Statutes and relevant subordinate legislation.

Transfers of shares in certificated form may be affected by instrument in writing in any usual or common form or in any other form acceptable to the directors. Any instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. The transferor shall be deemed to remain the holder of the shares until the name of the transferee is entered in the Company's register of members.

The directors may, in their absolute discretion (but subject to any rules of regulations of the London Stock Exchange or any rules published by the FSA applicable to the Company from time to time) and without assigning any reason therefore, refuse to register the transfer of a share which is in respect of a share which is not fully paid, or which is in favour of more than four transferees or which is in respect of more than one class of shares or which has not been presented for registration duly stamped accompanied by the share certificates for the shares to which the transfer relates and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer.

Where in respect of any shares any registered holder or any other person appearing to be interested in such shares fails to comply with any notice given by the Company under section 793 of the Act, then following a sale shown to the satisfaction of the Directors to be of the full legal and beneficial ownership of such shares at arm's length to a bona fide third party purchaser or of shares where the registered holder's holding of shares immediately prior to the proposed transfer represents less than 0.25 per cent. in nominal value of the issued shares of the relevant class. The registration of transfers may be suspended by the Directors for any period not exceeding 30 days in a year.

(j) *Dividends and other distributions*

Subject to the provisions of the Statutes, the Company may by ordinary resolution declare dividends to be paid to the members in accordance with their respective rights and interests in the profits, but not exceeding the amount recommended by the directors.

No dividends or monies payable by the Company in respect of a share shall bear interest as against the Company unless otherwise provided by the rights attached to the share.

The directors may pay interim dividends if it appears to them that they are justified by the profits of the Company available for distribution.

Except as otherwise provided by the Articles or the rights attached to any shares issued by the Company, the holders of shares are entitled *pari passu* amongst themselves to share in the whole of the profits of the Company paid out as dividends and the whole of any surplus in the event of liquidation of the Company.

A liquidator may, with the sanction of an ordinary resolution, divide the assets among the members in specie. The directors shall give effect to any such resolution provided that no such distribution shall be made unless recommended by the directors.

The directors may, with the sanction of an ordinary resolution, offer the Shareholders or any class of them (other than those not entitled to the relevant dividend or dividends) the right to elect to receive new Ordinary Shares, credited as fully paid, instead of cash in respect of the whole or part of any dividend or dividends which are the subject of the ordinary resolution.

Where, in respect of any shares, any registered holder or any other person appearing to be interested in shares of the Company fails to comply with any notice given by the Company under section 793 of the Act, then, provided that the shares concerned represent at least 0.25 per cent. in nominal amount of the issued shares of the relevant class, the Company may withhold dividends on such shares.

All unclaimed dividends or other sums payable on or in respect of a share may, after one year of being declared, be invested or otherwise made use of by the Directors for the benefit of "the Company" until claimed and the Company shall not be constituted a trustee in respect thereof. Any dividend which is unclaimed for a period of 12 years from the date on which the dividend became due for payment shall be forfeited and cease to remain owing by the Company and shall revert to the Company absolutely. The payment of any unclaimed dividend or other sum payable by the Company or in respect of any share into a separate account shall not constitute the Company a trustee thereof.

(k) *Borrowing Powers*

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property and assets both present and future (including uncalled capital) and, subject to the Act, to issue debentures, loan stock or any other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or any third party subject to a limit equal to three times the Company's adjusted share capital and reserves.

(l) *Constitution of board of directors*

The minimum number of directors shall not be less than two and unless and until otherwise determined by the Company in general meeting shall not be more than seven. No shareholder qualification is required of any director.

(m) *Retirement of directors by rotation*

At the first annual general meeting of the Company, all of the directors in office shall retire from office and may offer themselves for reappointment by Shareholders. At every subsequent annual general meeting any directors who (a) have been appointed by the directors since the last annual general meeting; or (b) who were not appointed or reappointed at one of the preceding two general meetings, must retire from office and may offer themselves for reappointment by Shareholders. A director retiring at a meeting shall retain office until the dissolution of such meeting.

The directors to retire will be those who have been longest in office or, in the case of those who were appointed or re-appointed on the same day, will (unless they otherwise agree) be determined by lot. The length of time a Director has been in office shall be computed from his last election, re-election or appointment when he has previously vacated office. A retiring Director shall be eligible for re-election.

(n) *Remuneration of directors*

The fees to be paid to the directors shall be determined by the Remuneration Committee of the Company from time to time. Such fees shall be divided among such Directors in such proportion or manner as may be determined by the Directors and, in default of determination, equally. A fee payable to a Director pursuant to this Article is distinct from any salary,

remuneration or other amount payable to him pursuant to other provisions of these Articles and accrues from day to day.

Each director may also be paid all reasonable travelling, hotel and other expenses properly incurred by him in respect of or about the performance of his duties as director including any expenses incurred in connection with his attendance at meetings of the directors of the Company or otherwise in the discharge of his duties as a director.

Any director who holds any executive office or who serves on any committee or who devotes special attention to the business of the Company or who otherwise performs services which, in the opinion of the directors, are outside the scope of the ordinary duties of a director, may be paid such extra remuneration by way of salary, lump sum, participation in profits or otherwise as the directors determine.

(o) *Permitted interests of directors*

Subject to the provisions of the Statutes, a director is not disqualified by his office by entering into any contract, arrangements, transaction or proposal with the Company in any manner, nor is any contract, arrangement, transaction or proposal in which he is interested or in which he has entered into by or on behalf of the Company in which any director or person connected with him is in any way interested, whether directly or indirectly, liable to be avoided, and any director who enters into any such contract, arrangement, transaction or proposal or is so interested is not liable to account to the Company for any profit realised by any such contract, arrangement, transaction or proposal by reason of the director holding that office or of the fiduciary relationship thereby established but the nature and extent of his interest shall be disclosed by him in accordance with the provisions of the Statutes.

A director may hold any other office or place of profit with the Company (except that of auditor) in conjunction with his office of director and may act by himself or through his firm in a professional capacity for the Company (other than as auditor) on such terms as to tenure of office, remuneration or otherwise as the directors may determine. A director may also hold office as a director or other officer or be otherwise interested in any other company of which the Company is a member or in which the Company is otherwise interested and shall not be liable to account to the Company for any remuneration or other benefits received by him from that company.

(p) *Restrictions on voting by directors*

Save as provided below, a director shall not vote on or in respect of any contract, arrangement, transaction or any other proposal in which he (together with any person connected with him) has an interest which is to his knowledge a material interest otherwise than by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company. A director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

A director shall not vote or be counted in the quorum on any resolution concerning his own appointment as the holder of any office or place of profit with the Company or any company in which the Company is interested (including, without limitation, fixing or varying the terms of his appointment or the termination or extension thereof).

A director shall (in the absence of some other material interest than is indicated below) be entitled to vote and be counted in the quorum in respect of any resolution concerning any of the following matters:

- (a) the giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- (b) the giving of any security, guarantee or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he has assumed responsibility in whole or in part either alone or jointly with others, under a guarantee or indemnity or by the giving of security;

- (c) any proposal, contract, arrangement or transaction concerning a placing of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in which placing he is or is to be interested as a holder of securities or as a participant in the undertaking or sub-underwriting thereof;
- (d) any contract, arrangement, transaction or other proposal concerning any other company in which he is interested, directly or indirectly and where as an officer or member or otherwise howsoever provided that he (together with any person connected (within the meaning of section 252 of the Act) with him) is not the holder of or interested in shares representing one per cent. or more of any class of the equity share capital or voting rights;
- (e) any contract, arrangement, transaction or other proposal concerning the adoption, modification or operation of a pension, superannuation or similar fund or scheme, a retirement, death of disability benefits fund or scheme or an employees' share scheme which has been approved by or is subject to and conditional upon approval by HM Revenue & Customs for taxation purposes or does not accord to any director as such any privilege or benefit not generally awarded to the employees to whom such arrangement relates; and
- (f) any contract for the grant, purchase and/or maintenance of insurance against any liability of any directors.

(g) *Deferred Shares*

The Deferred Shares shall have and enjoy the following rights and be subject to the following restrictions:

- (i) as regards income, the Deferred Shares shall confer upon the holders thereof as a class their right to receive 0.1p for each £999,999 of such dividends and other distributions as shall be resolved to be distributed amongst the holders of the Deferred Shares in proportion to the amounts paid up or credited as paid up thereon;
- (ii) as regards capital, in the event of winding up of the Company or other return of capital, the Deferred Shares shall confer upon the holders thereof as a class the right to receive 0.1p for each £999,999 of the assets of the Company available for distribution amongst the members the same to be distributed amongst the holders of the Deferred Shares in proportion to the amounts paid up or credited as paid up thereon; and
- (iii) as regards voting, the Deferred Shares shall not at any time confer on the holders any right to attend, vote or speak at any general meeting of the Company or to receive notices thereof.

5.3 **Sell-out Rules, Squeeze-out Rules and Takeover Bids**

Sell-out

Under the Act, if an offeror makes an offer to acquire all the Ordinary Shares and successfully acquired 90 per cent. of the Ordinary Shares within four months of making its offer, it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding Shareholders. The consideration offered to the Shareholders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the takeover offer.

Squeeze-out

The Act also gives minority Shareholders in the Company a right to be bought out in certain circumstances by an offeror who had made a takeover offer. If a takeover offer related to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those shares.

The offeror would be required to give any Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Shareholder exercises his/her rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

There have been no public takeover bids by third parties in respect of the Company's equity in the current financial year or the previous financial year.

6. Directors' and Proposed Director's Interests

6.1 The following persons are directors of the Company:

David Eric Evans (*Chairman*)
 Stewart White (*Chief Executive Officer*)
 Gillian Nancy Black (*Chief Financial Officer*)
 Kevin William Wilson (*Non-Executive Director*)
 Malcolm John Gillies (*Non-Executive Director*)

6.2 The following person is a proposed director of the Company with effect from Admission:

Brian Geoffrey Bennett (*Chief Business Officer*)

6.3 The business address of all of the Directors is Condor House, 10 St Paul's Churchyard, London EC4M 8AL. The business address of the Proposed Director is Suite 101, 21 Browning Street, Napier 4110, New Zealand.

6.4 The interests of the Directors and the Proposed Director in the issued ordinary share capital of the Company and the interests of each Director's and Proposed Director's family (which shall bear the meaning given to it as set out in the AIM Rules) required to be notified to the Company pursuant to Rule 17 of the AIM Rules and the existence of which is known or which could, with reasonable diligence, be ascertained by a Director or Proposed Director are, and following Admission will be, as follows:

<i>Shareholder</i>	<i>At the date of this document</i>		<i>On Admission</i>	
	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>
David Evans	5,495,874	8.61	12,638,730	7.39
Kevin Wilson	1,078,010	1.69	1,792,296	1.05
Malcolm Gillies	500,000	0.78	1,214,286	0.71
Stewart White	3,107,184	4.87	3,464,327	2.03
Gillian Black	–	–	357,143	0.21
Geoffrey Bennett	–	–	6,321,429	3.70

6.5 Save as set out in this document in respect of the Directors or the Proposed Director, there are no conflicts of interest between any duties they have to the Company and their private interests and/or other duties they may have.

6.6 There are no outstanding loans granted by any member of the Company to the Directors or any guarantees provided by any member of the Company for the benefit of the Directors.

6.7 No Director or the Proposed Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or which is or was significant in respect of the business of the Company and which was effected by any member of the Company during the current or immediately preceding financial year, or which was effected during an earlier financial year and remains in any respect outstanding or unperformed.

Diagnostic Capital Limited, a company in which David Evans and Kevin Wilson have an interest has provided corporate finance services in relation to the Acquisition. These services were charged at normal market rates.

Although Malcolm Gillies is a consultant to Shepherd and Wedderburn LLP, the Company's solicitors, he did not take any part in the decision to employ that firm and he receives no direct financial reward for referring clients to Shepherd and Wedderburn LLP.

- 6.8 There are no arrangements or understandings between the Directors or the Proposed Director and any major shareholder, customer or supplier of the Company pursuant to which any Director was selected or will be selected as a member of the administrative, management or supervisory bodies or member of senior management of the Company.
- 6.9 Save as set out in paragraph 10.1(f), and (m) of this Part V, there are no restrictions on any Director or the Proposed Director on the disposal within a period of time of their holding of Ordinary Shares.
- 6.10 None of the Directors or the Proposed Director nor any member of their respective families (as defined in the AIM Rules) has a related financial product (as defined in the AIM Rules) referenced to the Ordinary Shares.
- 6.11 Under the terms of an option agreement between the Company and David Evans dated 29 March 2013, David Evans was granted an option over 4,050,000 new Ordinary Shares, representing 10 per cent. of the issued share capital at admission of the company to trading on AIM which was effective on 5 April 2013. The share option was granted with an exercise price per Ordinary Share of 10 pence and may be exercised conditional upon (a) an acquisition being completed within 12 months of the Company's admission to trading on AIM (on 5 April 2013), and (b) the share price of the Company being at least 20 pence per Ordinary Share. The option will lapse on the expiry of ten years from the date of grant.
- 6.12 As soon as reasonably practicable following publication of this document the Company proposes to grant an option to Gillian Black, one of its Directors, over up to 1,000,000 Ordinary Shares pursuant to the terms of the EMI Scheme. The exercise price per Ordinary Share applicable to this option will not be less than the prevailing market value of an Ordinary Share at the date of grant. The option will become exercisable from 1 January 2017 subject to Ms Black remaining in employment with the Company (or any other member of the Enlarged Group) and the achievement of either of the following two targets:
- 6.12.1 the market value of an Ordinary Share being equal to or greater than 27p on any date after the date of grant.
- 6.12.2 the Company's earnings per share in any financial year which ends after the date of grant being equal to or greater than 1p.

The remaining terms of the proposed option will be as described in paragraph 7 below.

7. Share options – the EMI Scheme

7.1 Introduction

The EMI Scheme was adopted by the Company on 31 July 2014 in order to facilitate the incentivisation and reward of key employees and to align their interests with those of Shareholders.

7.2 Current and anticipated grants

As at 20 November 2014, being the last practicable date before the publication of this document, the following EMI Options were outstanding:

<i>Date of Grant</i>	<i>Aggregate no. of Ordinary Shares subject to EMI Options</i>	<i>Exercise Period*</i>	<i>Exercise Price per Ordinary Share</i>
31/07/14	388,349	31/07/14 – 31/07/24	£0.0788
10/09/14	500,000	01/09/17 – 10/09/24	£0.1000

* As highlighted in paragraphs 7.7, 7.10 and 7.11 below of this Part V, there are a variety of circumstances in which EMI Options will lapse earlier than the expiry of this period.

As soon as reasonably practicable following publication of this document, the Company proposes to grant an option to Gillian Black, one of its Directors, over up to 1,000,000 Ordinary Shares pursuant to the terms of the EMI Scheme. The exercise price per Ordinary Share applicable to this option will not be less than the prevailing market value of an Ordinary Share at the date of grant. The option will become exercisable from 1 January 2017 subject to Ms Black remaining in employment with the Company (or any other member of the Enlarged Group) and the achievement of either of the two targets set out in paragraph 6.12 of this Part V.

Further information on the principal terms which apply (or are currently expected to apply) to options granted pursuant to the EMI Scheme is set out below.

7.3 **Eligibility**

Any employee (including an executive director) of a member of the Enlarged Group will be eligible to participate in the EMI Scheme at the discretion of the Remuneration Committee, provided that they are not prevented from being granted options by the AIM Rules.

7.4 **Grant of options**

Options granted pursuant to the EMI Scheme will be capable of being structured as either EMI Options (which qualify for favourable tax status) or Unapproved Options. Where possible, options will be granted as EMI Options to increase tax efficiency for the participating employees and the Enlarged Group.

Options may be granted to an eligible employee at any time provided that no option may be granted to a director or Applicable Employee during a Close Period (the terms “Applicable Employee” and “Close Period” having the same meanings as given to those terms in the AIM Rules).

Options will be non-pensionable. No payment will be required for an option (other than the payment of the applicable exercise price). Options granted under the EMI Scheme will be personal to the participant and may not be assigned or transferred in any way, except on death.

No options may be granted under the EMI Scheme more than ten years after the date of adoption by the Board.

7.5 **Exercise price**

The price payable per Ordinary Share on the exercise of an option will be specified by the Remuneration Committee at the date of grant but shall not be less than:

7.5.1 the market value of an Ordinary Share on the date of grant; and

7.5.2 the nominal value of an Ordinary Share, if the Ordinary Shares are to be subscribed.

7.6 **Vesting periods and conditions**

Options granted under the EMI Scheme will normally vest on a date (or dates) specified by the Remuneration Committee at the date of grant. The EMI Scheme will also allow options to be granted on the basis that their vesting is subject to the attainment of pre-determined performance conditions or targets. The performance conditions applicable to options which are currently outstanding under the EMI Scheme are different for each option, but relate to targets such as the Company’s share price, the Company’s earnings per share performance and the achievement of certain operational targets. The performance conditions which are expected to apply to the option to be granted to Gillian Black are described in paragraph 6.12 of this Part V.

The vesting dates to be applied to options and the form of any other future performance conditions to be imposed will be determined by the Remuneration Committee at the date of grant of the relevant option.

7.7 **Exercise and lapse of options**

Options which have vested (and which have not lapsed) will generally be capable of exercise at any time up until the tenth anniversary of grant (or such earlier date as is determined by the Remuneration Committee). To the extent that an option remains unexercised at the end of this period, it will lapse.

Exercise of an option will be conditional on the agreement of the participant to put the Company (or other relevant payer) in funds to satisfy any liability to tax (including employee's national insurance contributions) and, if so determined by the Remuneration Committee when granting the option, employer's national insurance contributions.

Ordinary Shares will normally be transferred or allotted on the exercise of an option within twenty eight days of the date of exercise. Any Ordinary Shares that are issued to participants will rank *pari passu* with other Ordinary Shares in issue at the date of allotment.

Options will not confer any shareholder rights unless and until they have vested and been exercised and the participants have received their Ordinary Shares.

7.8 **Individual limits on participation**

Other than the statutory limits which apply to EMI Options pursuant to Schedule 5 to the Income Tax (Earnings and Pensions) Act 2003, the rules of the EMI Scheme do not place any restriction on aggregate market value of Ordinary Shares over which options may be awarded to a participant during any financial year.

7.9 **Source of Ordinary Shares and dilution limits**

The EMI Scheme provides for options to be satisfied either by the issue of new Ordinary Shares, the transfer of Ordinary Shares from treasury or the transfer of existing Ordinary Shares purchased in the market.

However, the plan's rules place a limitation on the number of new Ordinary Shares which may be allocated from the issued share capital of the Company. The limit specifies that the number of Ordinary Shares which may be allocated on any day shall not, when added to the aggregate number of Ordinary Shares which have been allocated in the previous ten years under the EMI Scheme and any other employee share scheme adopted by the Company, exceed such number as represents 15 per cent. of the ordinary share capital of the Company in issue immediately prior to that day.

For the purposes of this limit:

- 7.9.1 options and other rights to subscribe for Ordinary Shares which have lapsed or been released without being exercised will not be counted;
- 7.9.2 options and other rights to subscribe for Ordinary Shares which were granted before 5 April 2013 will not be counted; and
- 7.9.3 Ordinary Shares transferred from treasury will count as new issue shares but will cease to so count if institutional investor bodies decide that they should not count.

7.10 **Cessation of employment**

Options will be capable of being exercised during certain periods where the participant ceases to be employed by the Enlarged Group as a result of death, injury, ill-health, disability, redundancy or because his employing company or part of the business in which he works is transferred to a third party. Where employment is terminated for some other reason, options will lapse immediately unless the Remuneration Committee permits the participant to continue to hold them. In such situations, the Remuneration Committee may reduce the number of shares over which the option is exercisable pro rata based on the proportion of the vesting period that has elapsed and the extent to which any performance conditions (as amended if considered necessary) have been satisfied.

7.11 **Takeover, demerger and winding up**

In the event of a takeover or winding up of the Company, options will typically become exercisable for a period (following which they will lapse) and any outstanding performance conditions shall cease to apply.

The Remuneration Committee may also determine that options shall vest upon a demerger or similar event affecting the value of the Ordinary Shares to the extent permitted by the Remuneration Committee.

7.12 **Variation of share capital**

In the event of any variation of the share capital of the Company, the number of Ordinary Shares subject to any option and the exercise price for each Ordinary Share will be adjusted in such manner as the auditors confirm in writing to be fair and reasonable.

7.13 **Amendments**

The Remuneration Committee is able to amend any of the terms of the EMI Scheme provided that no alteration which would materially and adversely affect the subsisting rights of a participant may be made without his prior consent.

8. Directors' and Proposed Director's terms of appointment

8.1 The Company has entered into the following agreements with the Directors and the Proposed Director:

- (a) a letter of appointment dated 28 March 2013 between (1) the Company and (2) David Evans whereby David was appointed as Chairman of the Company. The appointment may be terminated by either party being at least one month notice on the other. The letter of appointment contains provisions for early termination *inter alia* in the event of serious or repeated breach by the director of his obligations to the Company. With effect from 1 April 2014, the annual fee payable to David Evans is £40,000. No benefits are provided to David under his appointment;
- (b) a letter of appointment dated 28 March 2013 between (1) the Company and (2) Kevin Wilson whereby Kevin was appointed as non executive director of the Company. The appointment may be terminated by either party being at least one month notice on the other. The letter of appointment contains provisions for early termination *inter alia* in the event of serious or repeated breach by the director of his obligations to the Company. With effect from 1 April 2014, the annual fee payable to Kevin is £30,000 but no benefits are provided to Kevin under his appointment;
- (c) a letter of appointment dated 28 March 2013 between (1) the Company and (2) Malcolm Gillies whereby Malcolm was appointed as non executive director of the Company. The appointment may be terminated by either party being at least one month notice on the other. The letter of appointment contains provisions for early termination *inter alia* in the event of serious or repeated breach by the director of his obligations to the Company. With effect from 1 April 2014, the annual fee payable to Malcolm is £30,000 but no benefits are provided to Malcolm under his appointment;
- (d) an agreement dated 9 December 2013 between (1) the Company and (2) Dr Stewart White whereby Dr White was appointed, conditional upon Admission, as Chief Executive of the Company. The agreement shall continue for a period of 12 months from the date of the agreement and thereafter may be terminated by six months' notice by either party on the other. The agreement contains provisions for early termination *inter alia* in the event of serious or repeated breach by Dr White of his obligations to the Company. With effect from 1 April 2014, the annual salary payable to Dr White is £100,000 plus a 3 per cent. contribution to pension plus a discretionary bonus as determined by the Remuneration Committee. Dr White's salary may be reviewed annually by the Remuneration Committee;
- (e) an agreement dated 26 February and taking effect from 1 March 2014 between (1) the Company and (2) Ms Gillian Black whereby Ms Black was appointed as Chief Financial Officer of the Company. The agreement shall continue for a period of 12 months from the effective date of the agreement and thereafter may be terminated by six months' notice by either party on the other. The agreement contains provisions for early termination *inter alia* in the event of serious or repeated breach by Ms Black of her obligations to the Company. The agreement provides for a salary of £75,000 per annum plus a discretionary bonus as determined by the

Remuneration Committee. There is also provision for a 3 per cent. contribution to pension. Ms Black's salary may be reviewed annually by the Remuneration Committee;

- (f) an agreement dated 21 November 2014 between (1) the Company and (2) Geoffrey Bennett whereby Mr Bennett was appointed, conditional upon Admission, as Chief Business Officer of the Company. The agreement shall continue for a period of 12 months from the date of the agreement and thereafter may be terminated by six months' notice by either party on the other. The agreement contains provisions for early termination *inter alia* in the event of serious or repeated breach by Mr Bennett of his obligations to the Company. The agreement provides for a salary of £80,000 per annum (or NZ\$ equivalent) plus a 3 per cent. contribution to pension plus a discretionary bonus as determined by the Remuneration Committee. Mr. Bennett's salary may be reviewed annually by the Remuneration Committee.

- 8.2 Save as set out in this paragraph 8, there are no existing or proposed service contracts or consultancy agreements between any of the Directors or the Proposed Director and the Company or any member of the Enlarged Group. None of the arrangements referred to in this paragraph 8 contains a right to benefits upon termination (other than those during the notice period under the relevant contract).
- 8.3 Neither the Directors nor the Proposed Director have received or are entitled to receive any Ordinary Shares or options over Ordinary Shares in lieu of remuneration or as any form of compensation.
- 8.4 Other than as disclosed in this paragraph 8 no member of the Enlarged Group is party to any service contract with any of the Directors or the Proposed Director which provides for benefits on the termination of any such contract.
- 8.5 No sums have been set aside or accrued by the Company or any member of the Enlarged Group to provide pension, retirement, or similar benefits for the Directors or the Proposed Director.
- 8.6 There is no arrangement under which any Director or the Proposed Director has waived or agreed to waive future emoluments.

9. Additional information on the Directors and Proposed Director

- 9.1 The Directors and the Proposed Director have been directors or partners in the following companies or partnerships within the five years prior to the date of this document (other than, in the case of the Directors, the Enlarged Group):

<i>Name</i>	<i>Current</i>	<i>Past</i>
David Eric Evans	Premaitha Health plc Cytos Limited Diagnostic Capital Limited EKF Diagnostics Holdings plc Epistem Holdings plc Integrated Magnetic Systems Limited Premaita Limited Omega Diagnostics Group plc LochGlen Whisky Company Limited The Fine Art of Golf Limited (formerly St Andrews Golf Limited) OptiBiotix Limited OptiBiotix Health plc Venn Life Sciences Holdings plc Scancell Holdings plc Spectrum (General Partner) Limited	BGenuinetec KK Horizon Discovery Limited Source Bioscience (Healthcare) Limited Momentum Bioscience Limited Immunodiagnostics Systems Holdings plc Immunodiagnostics Systems Limited Microtest Matrices Limited Onyx Research Chemicals Limited Jellagen Pty Limited Marine Biotech Limited Quotient Diagnostics Limited Rosnes Limited Scipac Limited Sirigen Group Limited Scancell Limited

<i>Name</i>	<i>Current</i>	<i>Past</i>
Kevin William Wilson	Arcis Biotechnology Limited Arcis Biotechnology Holdings Limited Diagnostic Capital Limited EKF Diagnostics Holdings plc Hon-Sho Limited	SoccerStockMarket Limited Big Life Centres Big Life Enterprises Limited The Big Issue in the North Limited The Big Life Company Limited Big Life Families Limited The Big Issue in the North Trust Self Help Services Limited
Malcolm John Gillies	Aircraft Medical Limited Antoxis Limited Plasmox Limited Ohmedics Limited Recyclatech Group Limited	Trading Emissions PLC Tyre Tech Ltd IDMOS PLC
Stewart White	Angel Biotechnology Holdings plc Angel Biomedical Limited	None
Gillian Nancy Black	None	None
Brian Geoffrey Bennett	Southern Lights Ventures 2002 Limited Innervision Medical Technologies Inc.	None

9.2 Save as disclosed below, none of the Directors or Proposed Director has:

- (a) any unspent convictions in relation to indictable offences;
- (b) been subject to any bankruptcies or individual voluntary arrangements;
- (c) been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation, administration, been subject to a company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors, whilst he was a director of that company or within the 12 months after he had ceased to be a director of that company;
- (d) been a partner in or member of any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement, whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- (e) been the owner of any asset which has been placed in receivership or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months preceding such events;
- (f) been publicly criticised by any statutory or regulatory authorities (including recognized professional bodies); or
- (g) been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a company.

On 18 December 2010, David Evans was appointed as a director of Cytox Limited. On 23 March 2011, Cytox Limited went into administration and the statement of affairs signed by David Evans showed a creditor shortfall of £418,500. On 2 June 2011, Cytox Limited entered into a Company Voluntary Arrangement which was completed on 24 July 2012.

David Evans was appointed as a director of Lineplan Limited on 24 March 1995. Lineplan Limited went into Creditors' Voluntary Liquidation on 18 May 2000. Under the liquidation, the dividends were as follows: Preferential debts of £10809.22 received 100p per pound and unsecured debts of £52,851 received 0p in the pound. Lineplan Limited was subsequently dissolved on 22 August 2002.

David Evans was appointed as a director for CY Realisations Limited on 28 November 2000. CY Realisations went into creditors' voluntary liquidation on 11 April 2003. The directors' statement of affairs dated 11 April 2003 showed a creditor shortfall of £237,254. CY Realisations was subsequently dissolved on 29 October 2009.

Malcolm Gillies was, as a representative of venture capital shareholders, a director of Cranbrook Electronic Holdings Limited. He was appointed on 10 April 1997. Cranbrook Electronic Holdings Limited went into administrative receivership on 21 May 1999. The directors' Statement of Affairs dated 11 June 1999 showed a creditors shortfall of £151,500. Cranbrook Electronic Holdings Limited was subsequently dissolved on 16 January 2001.

Malcolm Gillies was a director and the secretary of Idmos plc. He was appointed as director from 20 June 2007 and secretary from 6 November 2007. Idmos plc went into administration on 16 April 2008. The Statement of Affairs showed an estimated creditor surplus of £321,191. Idmos plc was subsequently dissolved on 23 July 2009.

Stewart White was a director of Angel Biotechnology Holdings plc. He was appointed as director from 5 December 2011. Angel Biotechnology Holdings plc went into administration on 8 February 2013. The Statement of Affairs showed an estimated creditor deficit of £575,883.

Stewart White was a director of Angel Biomedical Limited. He was appointed as director from 21 March 2012. Angel Biomedical Limited went into administration on 8 February 2013. The Statement of Affairs showed an estimated creditor deficit of £29,587.

- 9.3 There are no further disclosures to be made in accordance with paragraph (g) of Schedule Two of the AIM Rules for Companies.

10. Material Contracts

10.1 *The Company*

The following contracts, not being contracts entered into in the ordinary course of business (a) have been entered into by the Company or its subsidiaries since incorporation; or (b) are, or may be, contracts entered into by the Company or its subsidiaries which are material or contain, or may contain, provisions under which the Company has an obligation or entitlement which is material to the Company or its subsidiaries as at the date of this document:

- (a) the Placing Agreement dated 28 March 2013 between (1) Zeus Capital; (2) the Company and (3) certain of the Directors pursuant to which Zeus Capital agreed as agent for the Company to use its reasonable endeavours to procure subscribers for 40,000,000 Ordinary shares issued on 5 April 2014 at a placing price of 10p per share. The Company agreed to pay Zeus Capital a corporate finance fee and a commission of 5 per cent. of the gross proceeds of that Placing. Subject to certain limitations in relation to time and quantum, the Company and the directors gave certain limited warranties and indemnities to Zeus Capital including, but not limited to, as to the accuracy of information contained in the admission document issued at that time;
- (b) an agreement dated 28 March 2013 between (1) the Company, (2) certain of the Directors and (3) Zeus Capital pursuant to which Zeus Capital was appointed to act as Nominated Adviser and Broker to the Company for the purposes of the Company's Admission to AIM. The Company agreed to pay Zeus Capital a fee of £10,000 per annum (subsequently increased to £40,000 per annum), quarterly in advance by standing order, for its services as Nominated Adviser. The agreement contains certain undertakings and indemnities given by the Company in respect of, *inter alia*, compliance with all applicable laws and regulations. The agreement ran for an initial period of one year and continues thereafter but may be terminated by either the Company or Zeus Capital on not less than 3 months' notice;
- (c) lock-in agreements dated 28 March 2013 between each of David Evans, Kevin Wilson and Malcolm Gillies, Zeus Capital and the Company pursuant to AIM Rule 7 under which those Shareholders agreed that they would not, save in very limited circumstances set out below, dispose of any interest in Ordinary Shares until 5 April 2014.

The circumstances in which the lock-in arrangements will not apply are, *inter alia*, as follows:

- the giving of an irrevocable undertaking in respect of, or an acceptance of, a general offer made to the Company's shareholders (made in accordance with the City Code on Takeovers and Mergers) to acquire the entire issued share capital of the Company;
 - for a disposal by the personal representative of those shareholders if any of them should die during the period of such restrictions; and
 - in the event of an intervening court order.
- (d) an engagement letter dated 9 October 2013 between Zeus Capital and the Company under which Zeus Capital agreed to act as the Company's nominated adviser in respect of the January 2014 Admission under which Zeus was paid a fee following the January 2014 Admission;
- (e) a lock-in agreement dated 9 December 2013 between (1) Richard Hughes, (2) Zeus Capital and (3) the Company under which Richard Hughes agreed that the Ordinary Shares registered in his name will, for a period of 24 months following the January 2014 Admission will be subject to standard orderly market arrangements with Zeus Capital;
- (f) a lock-in agreement dated 9 December 2013 between (1) each of David Evans, Kevin Wilson, Malcolm Gillies, Stewart White, Diane Mitchell, Jacqueline Schroeder and Ross Andrews, (2) Zeus Capital and (3) the Company pursuant to AIM Rule 7 under which those shareholders agree that they will not, save in very limited circumstances set out below, dispose of any interest in Ordinary Shares for a period of 12 months following the January 2014 Admission;

The circumstances in which the lock-in arrangements will not apply are, *inter alia*, as follows:

- the giving of an irrevocable undertaking in respect of, or an acceptance of, a general offer made to the Company's shareholders (made in accordance with the Code) to acquire the entire issued share capital of the Company;
- (for a disposal by the personal representative of those shareholders if any of them shall die during the period of such restrictions;
- in the event of an intervening court order; and
- under Part 26 of the Act.

In addition, there will be a further 12 month period following the end of the initial 12 month period referred to above during which such Ordinary Shares will be subject to standard orderly market arrangements with Zeus Capital;

- (g) an introduction agreement dated 9 December 2013 between (1) the Company, (2) certain of the Directors, (3) Stewart White and (4) Zeus Capital pursuant to which Zeus Capital agreed to make the application for the share capital of the Company as enlarged by the January 2014 Admission to be admitted to trading on AIM in consideration of which the Company agreed to pay Zeus Capital a fee. The agreement was subject to various conditions and the Company and the Directors gave to Zeus Capital normal warranties for a transaction of this nature in respect of the business and affairs of the then enlarged group. The Company also gave normal indemnities for a transaction of this nature to Zeus Capital;
- (h) an agreement dated 9 December 2013 ("Collbio Acquisition Agreement") pursuant to which the Company acquired shares in Collbio held by the founding shareholders, equal to 65.82 per cent. of the entire issued share capital of Collbio. The consideration payable for the acquisition (to all shareholders) was a maximum of £4,000,000 to be satisfied as follows: (a) the issue and allotment of 16,000,000 Ordinary Shares upon admission; and (b) the issue and allotment of further Ordinary Shares dependent upon Collbio meeting certain agreed sales targets and entering into certain contracts over the three accounting periods ending 31 December 2016 up to a maximum of 16,000,000 additional Ordinary Shares. The agreement contained warranties and indemnities given to the Company by the vendors of Collbio in relation to its tax position;
- (i) agreements dated 9 December 2013 pursuant to which the Company agreed, conditional on Admission, to acquire the interests of certain minority shareholders in Collbio, being equal to 34.18 per cent. of the entire issued share capital of Collbio. The consideration payable was a rateable proportion of the consideration referred to in the Collbio Acquisition Agreement by reference to the percentage of shares in Collbio being sold as summarised in paragraph (h) above;

- (j) an agreement dated 9 December 2013 pursuant to which Collagen Solutions (US) Inc., (“Collagen Solutions”) a subsidiary of Collbio, acquired the business and assets and liabilities of Collagen Solutions LLC. The consideration payable for that acquisition was a maximum of £3,073,260 satisfied as follows: (a) on Completion, by payment of £1,394,384 in cash and the issue and allotment of 7,326,007 Ordinary Shares; and (b) a further cash payment of up to £763,125 dependent upon the business meeting certain agreed sales targets over the four accounting periods ending 31 December 2017;
- (k) an agreement dated 6 June 2014 between the Company and UCL Business PLC whereby, in consideration of an initial payment of £35,000, reimbursement of patent costs already incurred by UCL amounting to £15,408 and various milestone payments relating to cumulative sales of developed products, the Company acquired rights relating to polymeric collagen under certain patents and related intellectual property together with the right to develop and commercialise products which fall within such patents and intellectual property;
- (l) the placing agreement dated 21 November 2014 between (1) Zeus Capital; (2) Panmure Gordon; (3) the Company (4) the Directors and (5) the Proposed Director pursuant to which each of Zeus Capital and Panmure Gordon agreed as agents for the Company to use their reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price. The Company has agreed to pay Zeus Capital a corporate finance fee, Panmure Gordon a document fee and (subject to certain exceptions) Zeus Capital and Panmure Gordon an aggregate commission of 5 per cent. of the gross proceeds of the Placing. The Company, Directors and Proposed Director have, subject to certain limitations in relation to time and quantum, given certain limited warranties and indemnities to Zeus Capital and Panmure Gordon including, but not limited to, as to the accuracy of information contained in this document;
- (m) a lock-in agreement dated 21 November 2014 between (1) each of Geoffrey Bennett, Peter Meyer, John Higgins, Michael Broadfoot and Sandra Hatt, and any trusts or corporate vehicles connected with any of them, interested in the shares of SLB, (2) Zeus Capital and (3) the Company pursuant to AIM Rule 7 under which those shareholders agree that they will not, save in very limited circumstances set out below, dispose of any interest in Ordinary Shares for a period of 12 months following Admission.

The circumstances in which the lock-in arrangements will not apply are, *inter alia*, as follows:

- the giving of an irrevocable undertaking in respect of, or an acceptance of, a general offer made to the Company’s shareholders (made in accordance with the Code) to acquire the entire issued share capital of the Company;
- for a disposal by the personal representative of those shareholders if any of them shall die during the period of such restrictions;
- where the above shares are held by a trust or corporate vehicle, a disposal by trustees in favour of new trustees, or by a Company to a related company of such Shareholder, in both cases where the trustee is bound by the term of the arrangement;
- in the event of an intervening court order; and
- under Part 26 of the Act.

In addition, there will be a further 12 month period following the end of the initial 12 month period referred to above during which such Ordinary Shares will be subject to standard orderly market arrangements with Zeus Capital;

- (n) the letters of appointment and agreements referred to in paragraph 8 of this Part V;
- (o) the option agreements referred to in paragraph 6.11, 6.12, and 7 of this Part V;
- (p) the Acquisition Agreement dated 21 November 2014 pursuant to which the Company has agreed to acquire from the named Vendors (Geoffrey Bennett, Peter Meyer, Michael Broadfoot, John Higgins, Sandra Hatt and trusts and corporate vehicles associated therewith) shares representing the entire issued share capital of Southern Lights Biomaterials for a maximum consideration made up as follows:
 - cash consideration of NZD\$5,000,000 which, as at 19 November 2014 (the Business Day two days prior to publication of this Admission Document) was equivalent to £2,500,000;

- share consideration being the allotment to the Vendors, in proportion to their then holding of shares in SLB, of 21,428,572 Consideration Shares at the Placing Price; and
- additional Consideration of up to NZD\$4,000,000, (£2,000,000), in two tranches as follows based on achieving target revenues of NZ\$6,500,000 in any year:

First Earn Out Payment

- (i) If, in the first 3 financial years of the Earn-out Period (with the 3rd ending 31 March 2017) Target Revenues of NZ\$6,500,000 are achieved or exceeded in respect of any one such financial year, Additional Consideration of NZ\$2,000,000 will be payable as the “First Earn-out Payment”;
- (ii) If the above does not apply, Additional Consideration may be payable as the First Earn-out Payment based on the following formula, namely:

$$\frac{A}{B} \times \text{NZ\$2,000,000} = \text{the First Earn-out Payment}$$

where A = the highest Annual Revenues in the first 3 financial years of the Earn-out Period, less Base Revenue of NZ\$2,500,000

where B = NZ\$4,000,000 (being, Target Revenue less Base Revenue)

and so that if A does not exceed Base Revenue, no First Earn-Out Payment will be payable;

Second Earn Out Payment

- (iii) Provided that Target Revenue of NZ\$6,500,000 has been achieved in any of the first 3 financial years of the Earn-out Period, if in any other financial year in the Earn-out Period, Target Revenue is again achieved or exceeded, Additional Consideration of NZ\$2,000,000 will be payable as the “Second Earn-out Payment”;
- (iv) If, in respect of the financial year ended 31 March 2018 and where clause (iii) has not applied, Target Revenue is not achieved or exceeded (whether or not any First Earn-out Payment has been paid) then Additional Consideration as the Second Earn-out Payment may be payable based on the following formula, namely:

$$\frac{C}{D} \times \text{NZ\$2,000,000} = \text{Second Earn-out Payment}$$

where C = Annual Revenues in the financial year ended 31 March 2018 less Base Revenue;

where D = NZ\$4,000,000 (being Target Revenue less Base Revenue)

and so that if C does not exceed Base Revenue, no Second Earn-out Payment will be payable.

The basis of measurement of annual revenues for SLB is subject to mutually agreed principles to ensure consistency and recognition only of revenues properly the subject of the Additional Consideration. During the Earn-out Period the Company has agreed certain restrictions and assurances proportionate to the operation of SLB’s business.

The Additional Consideration will be secured by a postponed security over certain items of SLB’s plant and equipment and in the event and to the extent of non-payment is subject to interest at the greater of (a) 8 per cent. and (b) the Official Cash Rate of the New Zealand Reserve Bank plus 6.5 per cent.

The Acquisition Agreement contains warranties, indemnities and restrictive covenants usual and appropriate for a transaction of this nature and subject to customary temporal and financial limitations. The Company has the right to effect set-off in respect of the additional consideration in respect of any of the warranties or indemnities so far as agreed by the Vendors or judicially determined, and of retention pending agreement or determination subject to a favourable counsel’s opinion as to the prospects of success of the Company’s claim;

- (q) on 13 March 2013, Collbio entered into an asset purchase agreement pursuant to which it purchased the business and assets of Angel Biomedical Limited (in administration). Given that the assets were acquired from an administrator, Collbio received no comfort as to the title to the assets it acquired and no warranty or similar cover in relation to the risks inherent in the transaction it was entering into;
- (r) Collbio and the shareholders of Collbio entered into a shareholders' agreement on 9 December 2013 pursuant to which they agreed to manage certain aspects of their relationship with each other as shareholders of Collbio, which agreement was terminated with effect from the January 2014 Admission;
- (s) on 11 March 2013, Collbio entered into an addendum which relates to a contract that was originally entered into between Angel Biomedical Limited and Cardium Therapeutics Limited ("Cardium") on or around 14 May 2012. The agreement relates to the manufacture and supply of Excellagen (a collagen gel product) by Angel Biomedical Limited to Cardium. This addendum is in effect a transfer, from Angel Biomedical Limited to Collbio with Cardium's consent, of the initial contract between Angel Biomedical Limited and Cardium with certain variations in respect of lead times and pricing. Collbio can only terminate the contract on 12 months' prior written notice in certain limited circumstances, and then only subject to Collbio giving to Cardium certain IP and know-how. Cardium may terminate on 2 months' notice;
- (t) the acquisition agreement in connection with Collagen Solutions LLC, further details of which are set out in paragraph 10.1(j) of Part V of this document; and
- (u) on 19 September 2013, Collbio entered into an agreement with Diagnostic Capital Limited pursuant to which Diagnostic Capital Limited was appointed to provide various professional services including corporate finance advice and project management services in relation to the acquisition of Collagen Solutions. Collbio agreed to pay a fee of £75,000 (plus vat if applicable) for these services.
- (v) Pursuant to a broker agreement dated 21 November 2014 between (1) the Company and (2) Panmure Gordon, the Company has appointed Panmure Gordon to act as its joint broker to the Company. The Company has agreed to pay a fee of £25,000 per annum for its services as at Broker under this agreement. The agreement is for an indefinite period subject to each party being able to terminate it on notice being issued. The agreement contains an indemnity from the Company in favour of Panmure Gordon in customary terms.

10.2 ***Southern Lights Biomaterials***

The following contracts not being contracts entered into by Southern Lights Biomaterials in the ordinary course of business (a) have been entered into by Southern Lights Biomaterials in the two years preceding the date of this document; or (b) are, or may be, contracts entered into by the Company which are material or contain, or may contain, provisions under which Southern Lights Biomaterials has an obligation or entitlement which is material to Southern Lights Biomaterials as at the date of this document.

- (a) pursuant to the Acquisition Agreement, SLB has agreed to grant in favour of the Vendors a guarantee of the obligations of the Company to pay the Additional Consideration when it falls due and in support of such obligation to grant security over defined items of plant and equipment located at SLB's premises at Marton, New Zealand.

10.3 In addition, the following contract entered into by SLB which is material but within the ordinary course of business as at the date of this agreement is summarised below:

- (a) with effect from 1 April 2011 Southern Lights Biomaterials entered into a contract with a major customer based in South Korea for supply of Type 1 insoluble collagen manufactured from bovine deep flexor tendon by Southern Lights Biomaterials to agreed specifications including those of the Korean Food & Drink Administration. This contract has been extended and now endures until 31 March 2018. Minimum annual orders are specified which for the remaining term of the contract are 36kg/yr and in the final year the balance of 234kg less the previous six years' shipment. An annual letter of credit of \$420,000 supports this company's credit. The contract is terminable on twelve months' notice by either party or on customary termination events such as insolvency of the supplier. In the year ended 31 March 2014 this contract generated revenues of USD\$1,539,389.

11. Employees

11.1 The Company

The Company, together with its subsidiaries, has 12 employees employed between Glasgow, UK and San Jose, California, USA.

11.2 Southern Lights Biomaterials

Southern Lights Biomaterials has 9 employees, all of whom are employed at the manufacturing facility in Marton, NZ, or in the office at Napier, NZ.

12. Related Party Transactions

Save as set out in this document, neither the Company nor any member of the Enlarged Group is a party to any related party arrangements.

13. Working Capital

The Directors and the Proposed Director are of the opinion, having made due and careful enquiry, that, taking into account the existing resources available to the Enlarged Group, the Enlarged Group has sufficient working capital for its present requirements, that is for at least 12 months from the date of Admission.

14. Litigation

14.1 The Company

Save as set out in the document, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have or have had in the 12 months preceding the date of this document a significant effect on the Company's financial position or profitability.

14.2 Southern Lights Biomaterials

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Southern Lights Biomaterial is aware), which may have or have had in 12 months preceding the date of this document a significant effect on Southern Lights Biomaterials' financial position or profitability.

15. Significant Change

15.1 The Company

There has been no significant change in the financial or trading position of the Company since 30 September 2014, being the date to which the most recent financial information on the Company has been published.

15.2 Southern Lights Biomaterials

There has been no significant change in the financial or trading position of Southern Lights Biomaterials since 31 March 2014, being the date to which the Historical Financial Information on Southern Lights Biomaterials has been reported on in Part III of this document.

16. Corporate Governance

16.1 Audit and Risk Committee

The following is a summary of the terms of reference under which the Company's Audit and Risk Committee (the "Committee") operates. The Committee comprises Kevin Wilson and Malcolm Gillies, both of whom are non-executive directors of the Company.

The Committee shall have at least two members and each member shall be an independent non-executive director. The Board must be satisfied that at least one member of the Committee has recent and relevant financial experience. Appointments to the Committee should be made by the Board in consultation with the chairman of the Committee.

The Committee shall meet at least twice in every year and any other time as required by either the chairman of the Committee, the finance director of the Company or the external auditors of the Company. In addition, the Committee shall meet with the external auditors of the Company without any executives attending.

The Committee shall, *inter alia*:

- 16.2 maintain and oversee appropriate relationships with external auditors including considering the appointment and remuneration of external auditors and review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process;
- 16.3 monitor the financial reporting and internal financial control principles of the Company;
- 16.4 review all financial results of the Company and financial statements, including all announcements in respect thereof before submission of the relevant documents to the Board; including reviewing the external auditors' management letter and management's response;
- 16.5 consider all major findings of internal operational audit reviews and management's response to ensure co-ordination between internal and external auditors;
- 16.6 review the Board's statement on internal reporting systems and keep the effectiveness of such systems under review;
- 16.7 review and assess the annual internal audit plan; and
- 16.8 consider all other relevant findings and audit programmes of the Company.

The Committee shall report annually on the Board's behalf to the Shareholders. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

The Committee shall compile a report to Shareholders on its activities to be included in the Company's annual report such report to comply with the Corporate Governance Code or, where the Committee has determined that there are good reasons for not so complying, an explanation of those reasons.

For the purposes of compliance, whistleblowing and fraud, the Committee shall:

- (a) review the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- (b) review the Company's procedures for detecting fraud; and
- (c) review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.

The Committee is authorised to:

- (a) investigate any activity within its terms of reference;
- (b) seek any information it requires from any employee of the Company; and
- (c) obtain, at the Company's expense, outside legal or other independent professional advice and to secure the attendance of such persons to meetings as it considers necessary and appropriate.

17. United Kingdom Taxation

The following summary, which is intended as a general guide only, outlines certain aspects of current UK tax legislation, and what is understood to be the current practice of HMRC in the United Kingdom regarding the ownership and disposal of ordinary shares. This summary is not a complete and exhaustive analysis of all the potential UK tax consequences for holders of Ordinary Shares. It addresses certain limited aspects of the UK taxation position of UK resident, ordinarily resident and domiciled Shareholders who are beneficial owners of their Ordinary Shares and who hold their Ordinary Shares as an investment. Any person who is in any doubt as to his tax position or who is subject to taxation in a jurisdiction other than the UK should consult his professional advisers immediately as to the taxation consequences of their purchase, ownership and disposition of Ordinary Shares. This summary is based on current United Kingdom tax legislation. Shareholders should be aware that future legislative, administrative and judicial changes could affect the taxation consequences described below.

17.1 Taxation of dividends

Individual Shareholders

There is no UK withholding tax on dividends, including cases where dividends are paid to a shareholder who is not resident (for tax purposes) in the UK.

A UK resident individual shareholder who receives a dividend from the Company will be entitled to a tax credit, currently at the rate of 1/9th of the cash dividend paid (or 10 per cent. of the aggregate of the net dividend and related tax credit). The individual is treated as receiving for tax purposes gross income equal to the cash dividend plus the tax credit. The tax credit is set against the individual's tax liability on that gross income. The lower rate of income tax on dividend income is currently 10 per cent.

An individual shareholder who is not liable to income tax at a rate greater than the basic rate (currently 20 per cent.) will have no income tax to pay in respect of the dividend.

The higher rate of income tax on dividends is currently 32.5 per cent. within the 40 per cent. income tax bracket and 37.5 per cent. within the 45 per cent. bracket. This means that an individual shareholder who is taxed on the dividend in the 40 per cent. bracket will have further income tax to pay at a rate of 22.5 per cent. of the gross dividend (or 25 per cent. of the net dividend). An individual shareholder in the 45 per cent. bracket will have further income tax to pay at a rate of 27.5 per cent. of the gross dividend paid (or approximately 30.6 per cent. of the net dividend).

Corporate Shareholders

Shareholders within the charge to UK corporation tax which are "small companies" (for the purposes of UK taxation of dividends) will not generally expect to be subject to tax on dividends from the Company.

Other Shareholders within the charge to UK corporation tax will not be subject to tax on dividends from the Company in respect of Ordinary Shares held, provided the dividends fall within an exempt class and certain conditions are satisfied. In general, (i) dividends paid on shares that are not redeemable and do not carry any present or future preferential rights to dividends or to a company's assets on its winding-up and (ii) dividends paid to a person holding less than, among other things, 10 per cent. of the issued share capital of the payer (or any class of that share capital) are examples of dividends that fall within an exempt class.

Tax credit

Other than as set out below, a Shareholder (whether an individual or a company) who is not liable to tax on dividends from the Company will not be entitled to claim repayment of the tax credit in respect of those dividends.

The right of a Shareholder who is not resident (for tax purposes) in the UK to a tax credit in respect of a dividend received from the Company and to claim payment of any part of that tax credit will depend on the existence and terms of any double taxation convention between the UK and the country in which the holder is resident, although generally no such payment will be available.

Persons who are not resident in the UK should consult their own tax advisers on the possible application of such provisions or what relief or credit may be claimed in the jurisdiction in which they are resident.

17.2 **Taxation of chargeable gain**

For the purpose of UK tax on chargeable gains, the issue of Ordinary Shares pursuant to the Acquisition will be regarded as an acquisition of a new holding in the share capital of the Company.

The Ordinary Shares so allotted will, for the purpose of tax on chargeable gains, be treated as acquired on the date of allotment. The amount paid for the Ordinary Shares will usually constitute the base cost of a shareholder's holding.

If an individual Shareholder disposes of all or some of his Ordinary Shares a liability to tax on chargeable gains may, depending on their circumstances arise. The shareholder's annual exemption may reduce the chargeable gain. UK resident individuals and trustees are generally subject to capital gains tax at a current flat rate of 28 per cent. (reduced to 18 per cent. where a gain falls within an individual's unused basic rate income tax band).

Disposals realised by corporate Shareholders within the charge to corporation tax may give rise to a chargeable gain, subject to the availability of an exemption (e.g. the substantial shareholding exemption) or relief. Indexation allowance may reduce the chargeable gain.

A Shareholder who is not resident in the UK for tax purposes, but who carries on a trade, profession or vocation in the UK through a permanent establishment (where the Shareholder is a company) or through a branch or agency (where the Shareholder is not a company) and has used, held or acquired the Ordinary Shares for the purposes of such trade, profession or vocation or such permanent establishment, branch or agency (as appropriate) will be subject to UK tax on capital gains on the disposal of Ordinary Shares.

In addition, any holders of Ordinary Shares who are individuals and who dispose of shares while they are temporarily non-resident may be treated as disposing of them in the tax year in which they again become resident in the UK.

17.3 **Stamp duty and stamp duty reserve tax**

No UK stamp duty will be payable on the issue by the Company of Ordinary Shares. Transfers of Ordinary Shares for value will generally give rise to a liability to pay UK *ad valorem* stamp duty, or stamp duty reserve tax, at the rate in each case of 50 pence per £100 of the amount or value of the consideration (rounded up in the case of stamp duty to the nearest £5). From 28 April 2014 stamp duty and stamp duty reserve tax is abolished on transactions in shares listed on the Alternative Investment Market where the shares are not also listed on a recognised stock market.

18. **General**

- 18.1 Zeus Capital has given and not withdrawn its written consent to the inclusion in this document of its name and the references thereto in the form and context in which they appear.
- 18.2 Panmure Gordon has given and not withdrawn its written consent to the inclusion in this document of its name and the references thereto in the form and context in which they appear.
- 18.3 Baker Tilly Corporate Finance LLP has given and not withdrawn its written consent to the inclusion in this document of its name and reports and the references thereto in the form and context in which they appear.
- 18.4 Save as set out in paragraph 10 of this Part V (Material Contracts) there are no patents or licences, industrial, commercial or financial contracts or manufacturing processes which are material to the Enlarged Group's business or profitability.
- 18.5 The Directors and Proposed Director are not aware of (i) any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Enlarged Group's

prospects in the period between incorporation and the date of this document or (ii) any trends in production, sales and inventory, and costs and selling prices between incorporation and the date of this document.

- 18.6 The Ordinary Shares are in registered form and may be held in certificated or uncertificated form. No temporary Documents of title will be issued. The Ordinary Shares will be issued pursuant to the Act. The ISIN number of the Ordinary Shares is GB00B94T6Y14. The Company's registrars, Capita Registrars Limited, are responsible for maintaining the Company's register of members.
- 18.7 There have been no payments by the Enlarged Group to promoters since incorporation and no fees have been paid since incorporation (other than to trade suppliers) in the sum of £10,000 or more in cash or in kind.
- 18.8 No person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has:
- (a) received, directly or indirectly from the Enlarged Group in the two years prior to the date of this document; or
 - (b) entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company, on or after Admission:
- any of the following:
- (i) fees totalling £10,000 or more;
 - (ii) securities in the Company where these have a value of £10,000 or more calculated by reference to the opening price of Ordinary Shares upon Admission; or
 - (iii) any other benefit with the value of £10,000 or more at the date of Admission.
- 18.9 There are no investments in progress which are significant to the Company and there are no principal future investments on which the Enlarged Group have at the date hereof made firm commitments. There are no existing or planned material tangible fixed assets.
- 18.10 It is estimated that the total expenses payable by the Company in connection with Admission will not exceed £771,000 (including VAT).
- 18.11 The Directors and the Proposed Director are not aware of any environmental issues that may affect the Enlarged Group's utilisation of its tangible fixed assets.
- 18.12 Within this document, where information has been sourced from a third party, the Company confirms that this information has been accurately reproduced and, so far as the Company is aware and is able to ascertain from information published by that party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

19. Documents available for inspection

A copy of this document is on display on the Company's website at www.collagensolutions.co.uk and copies may be inspected at the registered office of the Company during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this document until one month following Admission.

Dated: 21 November 2014

Collagen Solutions plc

(the "Company")

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of the Company will be held on 9 December 2014 at 9.00 a.m. at 3 Robroyston Oval, Nova Technology Park, Glasgow G33 1AP for the purpose of considering, and if thought fit, passing the following resolutions which in the case of resolutions 1 and 2 will be proposed as ordinary resolutions and in the case of resolution 3 will be proposed as a special resolution:

Ordinary Resolutions

1. That, conditional on the passing of resolution 2 and resolution 3 set out in the notice of general meeting dated 21 November 2014, the Acquisition (as defined in the admission document of the Company dated 21 November 2014) be and is hereby approved for all purposes and that the directors of the Company (or any duly constituted committee thereof) be and they are hereby authorised to: (i) take all such steps as may be necessary or desirable in connection with, and to implement, the Acquisition; and (ii) do all such things and enter into such documents as may be necessary to give effect to the Acquisition including the making of such modifications, variations, revisions, or amendments to the terms and conditions of the Acquisition as the directors of the Company (or any duly constituted committee thereof) shall, in their absolute discretion, think appropriate.
2. That, conditional on the passing of resolution 1 and resolution 3 set out in the notice of general meeting dated 21 November 2014 and in substitution for, and to the exclusion of, any such existing authority, the directors of the Company be and they are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the "Act"):
 - 2.1 to allot shares in the Company, or to grant rights to subscribe for, or to convert any security into, shares in the Company up to a maximum nominal amount of £857,142.86 in connection with the proposed placing of shares in the Company as described in the admission document of the Company dated 21 November 2014 (the "Admission Document");
 - 2.2 in addition to the authority contained in sub-paragraph 2.1 of this resolution, to allot shares in the Company, or to grant rights to subscribe for, or to convert any security into, shares in the Company up to a maximum nominal amount of £214,285.72 in connection with the Acquisition (as defined in the Admission Document);
 - 2.3 in addition to the authority contained in sub-paragraphs 2.1 and 2.2 of this resolution, to allot shares in the Company, or to grant rights to subscribe for, or to convert any security into, shares in the Company up to a maximum nominal amount of £569,896.22; and
 - 2.4 in addition to the authority contained in sub-paragraphs 2.1, 2.2 and 2.3 of this resolution to allot shares in the Company, or to grant rights to subscribe for or to convert any security into shares in the Company, comprising equity securities (within the meaning of section 560(1) of the Act) up to a maximum nominal amount of £569,896.22 in connection with a Pre-Emptive Offer undertaken by means of a rights issue,

provided that such authority shall expire on 31 December 2015, or, if earlier, at the conclusion of the next annual general meeting of the Company to be held after the passing of this resolution, unless previously revoked, varied or renewed by the Company in general meeting, save that the Company may before such expiry make an offer or agreement which would or might require the allotment of shares in the Company, or the grant of rights to subscribe for or to convert any security into shares in the Company, after such expiry. For the purpose of this resolution, "Pre-Emptive Offer" means an offer of equity securities to (i) holders of ordinary shares (other than the Company) on a fixed record date in proportion to their respective holdings of such shares; and (ii) other persons entitled to participate in such offer by virtue of, and in accordance with, the rights attaching to any other equity securities held by them, in each case, subject to such exclusions or other arrangements as the directors of the Company may deem necessary or appropriate in relation to fractional entitlements, legal, regulatory or practical problems under the laws or the requirements of any regulatory body or stock exchange of any territory or otherwise.

Special Resolution

3. That, conditional on the passing of resolution 1 and resolution 2 (the "Allotment Authority") set out in the notice of general meeting dated 21 November 2014 (the "Notice") and in substitution for, and to the exclusion of, any such existing power, the directors of the Company be and they are hereby empowered pursuant to section 570 of the Companies Act 2006 (the "Act") to allot equity securities (as defined in section 560(1) of the Act) pursuant to the Allotment Authority for cash, as if section 561(1) of the Act did not apply to any such allotment provided that such power shall be limited to:
 - 3.1 in the case of sub-paragraph 2.1 of the Allotment Authority, the allotment of equity securities in connection with the proposed placing of shares in the Company as described in the admission document of the Company dated 21 November 2014;
 - 3.2 in the case of sub-paragraph 2.3 of the Allotment Authority:
 - 3.2.1 in connection with a Pre-Emptive Offer (as defined in the Allotment Authority); or
 - 3.2.2 otherwise than in connection with a Pre-Emptive Offer up to a maximum nominal amount of £256,453.30; and
 - 3.3 in the case of sub-paragraph 2.4 of the Allotment Authority, in connection with a Pre-Emptive Offer undertaken by means of a rights issue,

provided that such authority shall expire on 31 December 2015, or, if earlier, at the conclusion of the next annual general meeting of the Company to be held after the passing of this resolution, unless previously revoked, varied or renewed by the Company in general meeting, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry.

By Order of the Board

Gillian Black

Company Secretary

Dated: 21 November 2014

Registered Office:

C/o Shepherd & Wedderburn LLP
Condor House
10 St Paul's Churchyard
London
EC4M 8AL

Notes

1. A member of the Company entitled to attend and vote at the meeting convened by this notice is entitled to appoint one or more proxies to exercise any of his rights to attend, speak and vote at that meeting on his behalf. If a member appoints more than one proxy, each proxy must be entitled to exercise the rights attached to different shares. A proxy need not be a member of the Company.
2. A proxy may only be appointed using the procedures set out in these notes and the notes to the proxy form. To appoint a proxy, a member may complete, sign and date the enclosed proxy form and deposit it at the office of the Company's Registrars, Capita Asset Services, PXS1, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by 9.00 a.m on 7 December 2014. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be enclosed with the proxy form.
3. In order to revoke a proxy appointment, a member must sign and date a notice clearly stating his intention to revoke his proxy appointment and deposit it at the office of the Company's Registrars, Capita Asset Services, PXS 1, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU prior to commencement of the meeting.
4. Any corporation which is a member of the Company may authorise one or more persons (who need not be a member of the Company) to attend, speak and vote at the meeting as the representative of that corporation. A certified copy of the board resolution of the corporation appointing the relevant person as the representative of that corporation in connection with the meeting must be deposited at the office of the Company's Registrars prior to the commencement of the meeting.
5. The right to vote at the meeting shall be determined by reference to the register of members of the company. Only those persons whose names are entered on the register of members of the Company at 6.00 p.m. on 7 December 2014 shall be entitled to attend and vote in respect of the number of shares registered in their names at that time. Changes to entries on the register of members after that time shall be disregarded in determining the rights of any person to attend and/or vote at the meeting.

