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AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the official list of the United Kingdom Listing Authority.

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 to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers.

The London Stock Exchange has not itself examined or approved the contents of this document.

This document, which comprises an admission document for the purposes of the AIM Rules, has been drawn up in accordance therewith. This document contains no offer of transferable securities to the public within the meaning of Section 102B of the Financial Services and Markets Act 2000, the Companies Act 1985 or otherwise and does not require a prospectus within the meaning of section 85 of the Financial Services and Markets Act 2000 and is not a prospectus as defined in the AIM Rules.

The Company and each of the Directors, whose names appear on page 9 of this document, accept individual and collective responsibility for the information contained in this document including individual and collective responsibility for the Company's compliance with the AIM Rules. To the best of the knowledge and belief of the Directors 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.

Application has been made for all of the existing issued Ordinary Shares (including the Placing Shares and the Pre-flotation Fundraising Shares) to be admitted to trading on AIM. It is expected that First Admission will become effective and that dealings in the Ordinary Shares, will commence on AIM on 4 April 2007, that the Second Admission will become effective and dealings in the Ordinary Shares will commence on AIM on 10 April 2007 and that the Third Admission will become effective and dealings in the Ordinary Shares will commence on 11 April 2007.

EPISTEM HOLDINGS PLC

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 6108621)

Placing of

**807,628 New Ordinary Shares and 100,680 existing Ordinary Shares of 1.5p each at 124p per share
and**

ADMISSION TO TRADING ON AIM

Nominated Adviser and Broker

TEATHER & GREENWOOD LIMITED

Expected share capital immediately following Third Admission

<i>Amount</i>	<i>Authorised Number</i>	<i>ordinary shares</i>	<i>Amount</i>	<i>Issued and fully paid Number</i>	<i>ordinary shares</i>
£150,000	10,000,000	of 1.5p each	£98,071.155	6,538,077	of 1.5p each

Teather & Greenwood, which is a member of the London Stock Exchange and is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively as nominated adviser and broker to the Company (for the purpose of the AIM Rules) and no one else in connection with the Placing and the Admission and will not be responsible for providing the protections afforded to customers of Teather & Greenwood nor for providing advice in relation to the contents of this document or any matter, transaction or arrangement referred to in it. Teather & Greenwood's responsibilities as the Company's nominated adviser and broker under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of their decision to acquire Ordinary Shares in the Company in reliance on any part of this document. No representation or warranty, express or implied, is made by Teather & Greenwood as to the contents of this document or for the omission of any material, for which it is not responsible.

This document does not constitute an offer to sell, or the solicitation of an offer to buy or subscribe for, Placing Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular, this document should not be taken, transmitted, distributed, published, reproduced or otherwise made available in whole or in part, directly or indirectly, in or into Australia, Canada, Japan, the Republic of Ireland, the Republic of South Africa, or the United States or any other country outside the United Kingdom where that may lead to a breach of any legal or regulatory requirements. None of the existing issued Ordinary Shares nor the Placing Shares nor the Pre-flotation Fundraising Shares have been or will be registered under the United States Securities Act 1933 (as amended) or under the securities legislation of any state of the United States or any province or territory of Australia, Canada, Japan, the Republic of Ireland, or the Republic of South Africa. Subject to certain exceptions, the Placing Shares may not, directly or indirectly, be offered or sold in or into Australia, Canada, Japan, the Republic of Ireland, the Republic of South Africa, or the United States or to or for the account or benefit of any national, resident or citizen of Australia, Canada, Japan, the Republic of South Africa or the Republic of Ireland or any person located in the United States.

Copies of this document, which is dated 30 March 2007, will be available free of charge to the public during normal business hours on any weekday (except Saturdays, Sundays and public holidays) from the registered office of the Company and from the offices of Teather & Greenwood, Beaufort House, 15 St. Botolph Street, London EC3A 7QR from the date of Admission for not less than one month thereafter.

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DEFINITIONS

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

“Acquisition”	the acquisition by the Company of the entire issued share capital of EpiStem pursuant to the Acquisition Agreement
“Acquisition Agreement”	the agreement dated 16 March 2007 made between the Company and all the Vendors, under which the Company agreed to acquire the entire issued share capital of EpiStem, a summary of which is set out in paragraph 13.1 of Part IV of this document
“Act”	the Companies Act 1985, (as amended)
“Admission”	the admission of the Ordinary Shares (including the Placing Shares, the Pre-flotation Fundraising Shares and the shares allotted to David Evans) to trading on AIM becoming effective in accordance with the AIM Rules
“AIM”	AIM, a market of the London Stock Exchange
“AIM Rules”	the rules for companies whose securities are traded on AIM and their nominated advisers published by the London Stock Exchange as amended from time to time
“Articles”	the articles of association of the Company
“Board”	the board of Directors of the Company
“certificated” or “in certificated form”	the description of a share or other security which is not in uncertificated form (that is, not in CREST)
“Combined Code”	the Principles of Good Governance and Code of Best Practice, issued by the London Stock Exchange
“Company”	EpiStem Holdings Plc
“CREST”	the relevant system (as defined in the CREST Regulations) to facilitate the transfer of title to the shares in uncertificated form in respect of which CRESTCo Limited is the Operator (as defined in the CREST Regulations)
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)
“Directors”	the directors of the Company whose names are listed on page 9 of this document
“EIS”	Enterprise Investment Scheme
“Enlarged Share Capital”	the entire issued share capital of the Company immediately following the Placing, the Pre-flotation Fundraising and the allotment of Ordinary Shares to David Evans
“EpiStem”	EpiStem Limited, the principal operating subsidiary of the Group
“First Admission”	the admission of 5,957,755 Ordinary Shares to trading on AIM, becoming effective in accordance with the AIM Rules
“FSA”	the Financial Services Authority of the United Kingdom

“FSMA”	the Financial Services and Markets Act 2000, as amended including any regulations made pursuant thereto
“Group”	the Company and its subsidiaries, from time to time
“IFRS”	International Financial Reporting Standards as adopted by the European Union
“Listing Rules”	the rules for listing issued by the UK Listing Authority
“London Stock Exchange”	London Stock Exchange plc
“New Ordinary Shares”	the 2,492,449 new Ordinary Shares to be issued by the Company pursuant to the Pre-flotation Fundraising, the Placing and to David Evans
“Official List”	the official list of the UK Listing Authority
“Ordinary Shares”	the ordinary shares of 1.5p each, issued and un-issued, in the capital of the Company
“Placing”	the placing by Teather & Greenwood of the Placing Shares at the Placing Price pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement between the Directors (1), the Company (2) and Teather & Greenwood (3), dated 30 March 2007, relating to the Placing and Admission, particulars of which are summarised in paragraph 12.1 of Part IV of this document
“Placing Price”	the price of 124p per Placing Share
“Placing Shares”	the 807,628 new Ordinary Shares which are the subject of the Placing
“Pre-flotation Fundraising”	the commitment to raise up to £1,989,178.24 by the subscription for the Pre-flotation Fundraising Shares
“Pre-flotation Fundraising Shares”	the 1,604,176 new Ordinary Shares to be subscribed for by the Pre-flotation Investors in connection with the Pre-flotation Fundraising
“Pre-flotation Investors”	those persons who have subscribed for the Pre-flotation Fundraising Shares, details of which are set out in paragraph 12.3 of Part IV of this document
“Second Admission”	the admission of 189,191 Ordinary Shares to trading on AIM, becoming effective in accordance with the AIM Rules
“Selling Shareholder Placing”	the placing by Teather & Greenwood of the Selling Shareholder Placing Shares at the Placing Price pursuant to the Selling Shareholder Placing Agreement
“Selling Shareholder Placing Agreement”	the conditional agreement between Professor Christopher Potten and Teather & Greenwood dated 28 March 2007 relating to the Selling Shareholder Placing of the Selling Shareholder Placing Shares, particulars of which are summarised in paragraph 12.4 of Part IV of this document
“Selling Shareholder Placing Shares”	the 100,680 Ordinary Shares to be sold by Professor Christopher Potten pursuant to the Selling Shareholder Placing
“Shareholders”	holders of Ordinary Shares

“Shareholders Agreement”	the shareholders agreement entered into between the Company Zeus Capital and the Vendors dated 16 March 2007, a summary of which is set out in paragraph 13.2 of Part IV of this document. This agreement will cease to have effect on Admission. This agreement replaced the shareholders agreement entered into on 8 June 2005 between <i>inter alia</i> EpiStem and Zeus Capital, a summary of which is set out in paragraph 13.2 of Part IV of this document
“Share Option Schemes”	the EpiStem Holdings Plc Share Option Schemes and agreements, details of which are set out in paragraph 8 of Part IV of this document
“Subscription Agreements”	the agreements entered into between each of the Pre-flotation Investors and the Company subscribing for, in aggregate, the Pre-flotation Fundraising Shares
“Teather & Greenwood”	Teather & Greenwood Limited, which is authorised and regulated in the United Kingdom by the FSA
“Third Admission”	the admission of 391,131 Ordinary Shares to trading on AIM, becoming effective in accordance with the AIM Rules
“UK Listing Authority”	a division of the FSA acting as a competent authority for the purposes of Part VI of FSMA
“Unapproved Options”	share options granted by the Company, the terms of which do not meet the requirements of any HMRC approved schemes
“uncertificated” or “in uncertificated form”	an Ordinary Share recorded on the Company’s register as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“United States” or “US”	United States of America, each state thereof, its territories and possessions and District of Columbia
“Vendors”	any or all of the shareholders of EpiStem, as the context requires, immediately prior to the completion of the Acquisition
“Warrants”	warrants to subscribe for Ordinary Shares of 1.5p each in the capital of the Company which have been issued to Zeus Capital (and its permitted transferees) in accordance with the terms of the Warrant Instrument
“Warrant Instrument”	the warrant instrument created by the Company on 16 March 2007 in respect of the grant of warrants to Zeus Capital to subscribe for up to 198,554 Ordinary Shares at 161 pence per Ordinary Share details of which are set out in paragraph 8.5 of Part IV of this document. This Instrument replaced the Warrant Instrument created by EpiStem on 18 March 2005 which has been terminated
“Zeus Capital”	Zeus Capital Limited (registered in England and Wales under number 4417845)

GLOSSARY

The following glossary of terms applies throughout this document, unless otherwise stated or the context otherwise requires:

adult stem cells	rare cells in the body that are the source for maintaining the integrity of tissues over a lifetime; capable of generating all cell types within a tissue.
assays	tests to quantitatively determine the presence, concentration or potency of a drug.
cancer	class of diseases characterised by uncontrolled cellular growth without differentiation; ability of these cells to spread throughout the body and disrupt its normal functions.
cell receptor	a protein that binds a specific cell regulator and activates a cellular response. Cell receptors are targets for drug development, either by cell regulators or small molecule drugs.
cell regulator	a molecule, often a protein circulating in the blood that binds to its cell receptor to activate a biological response.
cosmeceutical	a cosmetic with a biologically active component; currently not regulated by governments (e.g. FDA).
diagnostic biomarker	a biological indicator used to quantitatively measure or evaluate pharmacologic responses to drugs; involved from discovery to marketed drug to determine drug exposure, toxicity, patient selection, and efficacy.
differentiation	the process of generating increasingly defined types of functional cells in a tissue; integral part of regenerating tissues.
drug development	the process of advancing a compound from discovery to an approved drug; includes preclinical development (safety and efficacy), manufacturing, government regulation, and clinical stages.
embryonic stem cells	cells derived from early embryos that have the capability of generating every tissue in the body including an entire new offspring.
epithelial tissue	thin layer of tissue that provides a barrier between the body and its environment. Varies in its complexity and functions depending on the body site; includes the lining of the intestine, mouth, skin, hair follicle, breast and prostate tissues.
gene profiling technology	genes are the blueprint for proteins, which are responsible for regulating cells. Profiling technology determines the level of individual gene products within a cell.
generic drug	a pharmaceutical product that is manufactured after the expiry date of patents and other exclusive rights from the original manufacturer; equivalent to original drug but usually costs less.
inflammatory bowel disease	refers primarily to two chronic diseases that cause inflammation of the intestines: ulcerative colitis and Crohn's disease. These diseases are characterised by cycles of mucosal injury and ulceration followed by regeneration and restored tissue function.

mucositis	a common, debilitating side effect of cancer therapy that involves destruction of the epithelium in the mouth and gut, leading to ulceration and functional impairment, increased risk of infection and treatment delays; patient suffering manifested by loss of appetite, diarrhoea, and wasting.
oncology	a branch of medicine that seeks to understand the development, diagnosis, and treatment of cancer.
oncology supportive care	adjunctive therapy in oncology responsible for reducing the toxic side effects of cancer therapy; includes drugs to restore tissue integrity and function in the bone marrow and epithelium and also drugs to treat nausea, diarrhoea and pain.
preclinical efficacy testing	the stage in drug development between discovery of the drug candidate and initiating clinical trials. Efficacy testing determines the reproducibility of the biological activity and provides insights into dose and dose scheduling of the drug candidate.
proliferation	the process by which one cell replicates its genetic information, divides, and makes two descendent cells; integral part of regenerating tissues.
small molecule drug	typically a synthesised chemical compound that interacts with the biological machinery of cells in the body.

PLACING STATISTICS

Placing Price (including for the Pre-flotation Fundraising Shares)	124p
Number of Ordinary Shares in issue prior to the Placing and issue of the Pre-flotation Fundraising Shares	4,045,628
Number of new Ordinary Shares being issued pursuant to the Pre-flotation Fundraising	1,604,176
Number of new Ordinary Shares being issued pursuant to the Placing	807,628
Number of Ordinary Shares being sold pursuant to the Selling Shareholding Placing	100,680
Number of Ordinary Shares in issue on Admission (including Pre-flotation Fundraising Shares and shares issued to David Evans)	6,538,077
Market capitalisation following the Placing at the Placing Price	£8,107,215.48
Percentage of Enlarged Share Capital being placed (including Pre-flotation Fundraising Shares and Selling Shareholder Placing Shares)	38.43 per cent.
Estimated gross proceeds of the Placing and the Pre-flotation Fundraising	£2,990,636.96
Estimated net proceeds of the Placing and the Pre-flotation Fundraising receivable by the Company	£2,558,058

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	30 March 2007
First Admission	4 April 2007
CREST accounts credited for Placing Shares in uncertificated form in respect of the First Admission	4 April 2007
Second Admission	10 April 2007
CREST accounts credited for Placing Shares in uncertificated form in respect of the Second Admission	10 April 2007
Third Admission	11 April 2007
CREST accounts credited for Placing Shares in uncertificated form in respect of the Third Admission	11 April 2007
Despatch of definitive share certificates for Placing Shares and Pre-flotation Fundraising Shares in certificated form	by 25 April 2007

DIRECTORS, SECRETARY AND ADVISERS

Directors	David Eric Evans	<i>(Non-Executive Chairman)</i>
	Matthew Heaton Walls	<i>(Chief Executive Officer)</i>
	Jeffrey Gould Moore	<i>(Managing Director, Novel Therapies)</i>
	Hugh John Joseph Rylands	<i>(Financial Director)</i>
	Catherine Booth	<i>(Managing Director, Contract Research Services)</i>
	Robert Dwyer Nolan	<i>(Non-Executive Director)</i>
	Christopher Stanislaus Potten	<i>(Chief Scientific Adviser)</i>
	Gerard Brady	<i>(Research Director, Novel Therapies)</i>
	All of whose business address and registered office is:	
	The Incubator Building 48 Grafton Street Manchester M3 9XX	
Company Secretary	Hugh John Joseph Rylands	
Nominated Adviser and Broker	Teather & Greenwood Limited Beaufort House 15 St Botolph Street London EC3A 7QR	
Auditors	HW Chartered Accountants Bridge House 157 Ashley Road Hale Altrincham Cheshire WA14 2UT	
Reporting Accountants	HW Corporate Finance 1st Floor Northern Assurance Buildings Albert Square 9-21 Princess Street Manchester M2 4DN	
Solicitors to the Company	McGrigors LLP Princes Exchange 1 Earl Grey Street Edinburgh EH3 9AQ	
Solicitors to the Placing	Berry Smith Haywood House Dumfries Place Cardiff CF10 3GA	
Principal Bankers	Natwest Commercial Banking 5th Floor 1 Spinningfields Square Deansgate Manchester M3 3AP	
Registrars	Neville Registrars Limited 18 Laurel Lane Halesowen B63 3DA	
Financial Adviser	Zeus Capital Limited 3 Ralli Courts West Riverside Manchester M3 5FT	

KEY INFORMATION

THE FOLLOWING INFORMATION IS DERIVED FROM, AND SHOULD BE READ IN CONJUNCTION WITH, THE WHOLE OF THIS DOCUMENT, INCLUDING IN PARTICULAR PART II HEADED ‘RISK FACTORS’.

Introduction

EpiStem is a biotechnology company commercialising adult stem cells in the areas of oncology and gastrointestinal diseases as well as cosmeceutical applications. EpiStem develops innovative therapeutics and diagnostic biomarkers and provides contract research services to drug development companies. The Group’s expertise is focused on the regulation of adult stem cells located in epithelial tissue, which includes the gastrointestinal tract, skin, hair follicles, breast and prostate. EpiStem does not conduct research in the areas of embryonic stem cells or stem cell transplantation.

EpiStem operates two distinct business divisions, Contract Research Services and Novel Therapies.

Contract Research Services

Contract Research Services provides specialised preclinical efficacy testing primarily for drug development companies on a fee for service basis. This division on a standalone basis is cash generative and profitable, with an established five-year track record of providing testing services to over 65 company clients primarily in Europe and the United States.

Novel Therapies

Novel Therapies is focused on developing its own innovative therapeutics and diagnostic biomarkers. Through its discovery platform, Novel Therapies has identified 250 potential drug candidates, of which a subset will undergo further evaluation as stem cell regulators for the Group’s emerging drug development pipeline. Novel Therapies is also conducting feasibility studies with two drug development companies using its clinical diagnostic biomarker technology.

Financials

The Company is a holding company and has not traded. The following financial information has been extracted from the accountant’s report on EpiStem contained in Part IIIB of this document and should be read in conjunction with the full text of this document. Investors should not rely solely on the summarised information in making their investment decisions.

	<i>Year ended 30 June</i>			<i>6 months ended</i>
	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>31 December</i>
	<i>£000’s</i>	<i>£000’s</i>	<i>£000’s</i>	<i>£000’s</i>
Turnover	704	1,245	901	667
PBT	(250)	48	(756)	(481)
Net assets	99	1,634	1,095	714
Cash at bank	90	1,517	681	328

Current trading statement

Since 31 December 2006, the trading of EpiStem’s Contract Research Services Division has been in line with management expectations and the Novel Therapies Division has concluded an agreement with a clinical company to commercialise its first therapeutic candidate. The Board remains confident that overall trading will continue to meet internal expectations.

Reasons for Admission and the Placing

The Company intends to raise approximately £2,558,058 net of expenses pursuant to the Placing and the Pre-flotation Fund Raising. The net proceeds of the Placing and the Pre-flotation Fund Raising will be used to:

- fund further research to enable the commercial partnering of therapeutic candidate(s) from the Novel Therapies Division;
- fund the development of the Company's diagnostic platform based on epithelial stem cell biology; and
- general corporate purposes.

The Directors also believe that the profile of the Group will be significantly enhanced as a UK listed public company.

The Directors believe that Admission will:

- enhance the Group's status;
- assist the Company in raising additional capital should this be required; and
- provide liquidity for investors through the ability to buy and sell Ordinary Shares.

PART I

INFORMATION ON THE GROUP

Introduction

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Combined Business Model

The Group is exploiting its combined business model to advance its own therapeutic candidates to late preclinical stage development. The business model integrates the discovery efforts of Novel Therapies with the efficacy testing assays of its Contract Research Services Division, to identify and characterise new drug candidates. Revenues generated by Contract Research Services will assist in offsetting Novel Therapies' investment requirements for the discovery and development of therapeutics.

In February 2007, EpiStem licensed its first drug candidate to a clinical development company. With the validation of the Novel Therapies discovery platform and the achievement of discovery milestones, the Directors believe that additional licensing partnerships will be forthcoming for therapeutics, diagnostics and cosmeceuticals starting in 2008.

Company background

EpiStem was founded in 2000 by Professor Chris Potten and Dr. Catherine Booth, its cofounders having previously been based in the Paterson Institute at the Christie Hospital in Manchester, UK. Its offices are located in the Manchester Incubator Building, which is part of the University of Manchester. The Company's expertise is based on over three decades of experience in relation to discovery research on the behaviour of adult epithelial stem cells by Professor Potten. Professor Potten received a lifetime fellowship from Cancer Research UK and has published over 350 scientific publications, written two and edited nine books. He has received two prestigious prizes for his contributions to radiobiological research, the Madame Marie Sklodowska-Curie Medal in 1998 and the Weiss Prize in 2003. Professor Potten is the Chief Scientific Adviser to the Group.

Stem cell assays developed by the founders attracted the attention of drug development companies and these assays created the core platform for the formation of the Contract Research Services Division. Dr. Booth has

built a team of 13 scientists alongside a business development team of five led by Dr. Mark Bryant. Six of the Contract Research Services team have Ph.D. degrees.

Dr. Gerard Brady joined EpiStem as Research Director of the Novel Therapies Division in 2001. Dr. Brady has applied over two decades of expertise developing specialised molecular biology tools, including gene profiling of individual cells, with the goal to identify the key regulators of epithelial stem cells.

In September 2005, EpiStem hired Dr. Jeffrey Moore to lead the commercialisation of the Novel Therapies' technology. Prior to joining EpiStem, Dr. Moore discovered a blood stem cell regulator, founded Phylogix Inc., a therapeutics biotechnology company, and raised over \$15 million to advance the drug candidate to late preclinical development. The Novel Therapies team has seven scientists, five of whom have Ph.D. degrees.

In February 2007, Matthew Walls, an experienced Chief Executive most recently at Oxford Biosignals Limited, took on the role of Chief Executive Officer. Matthew has extensive experience of building and commercialising biotechnology products and services across the United States and United Kingdom. He succeeds David Evans, who had been Executive Chairman since March 2006. David will continue in the role of Non-executive Chairman, which he fulfils for three other AIM-quoted companies in the healthcare sector. John Rylands, now Financial Director, joined EpiStem in 2002 and has successfully completed several rounds of investment supporting the growth of EpiStem. Dr. Robert Nolan, the other Non-executive Director, has extensive pharmaceutical licensing experience and an active involvement with early stage healthcare companies.

Contract Research Services Division

Contract Research Services provides specialised preclinical assays for drug development in the areas of oncology supportive care, oncology, inflammatory bowel disease (IBD), and new emerging applications.

Introduction to oncology supportive care

The effectiveness of chemotherapy and radiation to eradicate cancer depends in part on oncologists' ability to manage toxic side effects to the gastrointestinal tract, a condition called mucositis. Destruction of the epithelial lining, leading to ulceration and functional impairment, increases the risk of infection and treatment delays and causes suffering for the patient manifested by loss of appetite, diarrhoea, and wasting. Pain induced by ulceration in the mouth (oral mucositis) is a major reason why patients either delay or halt chemotherapy and radiotherapy. Better management of mucositis during cancer treatment would decrease the risk of serious, sometimes life-threatening infections, reduce overall treatment costs and patient suffering.

Reducing the toxic side effects of cancer therapy remains a major unmet clinical need.

Oncology supportive care

The core intestinal stem cell assays used by EpiStem evaluate efficacy, optimise drug dose/scheduling, and elucidate mode of action in the area of oncology supportive care. These assays, established over the past decade, have been used to evaluate more than a dozen supportive care drug candidates in preclinical development. Following earlier testing involving Professor Potten and Dr. Booth, two drug candidates have gone on to enter clinical trials, one of which (Amgen's Kepivance®) is the first and currently the only drug approved to reduce oral mucositis.

Oncology and Inflammatory Bowel Disease

Contract Research Services provides a range of established preclinical efficacy testing services to assess anti-cancer compounds on tumour growth in oncology and the severity of tissue damage in IBD. The team has developed a variety of analytical tools to evaluate drug candidates and is also extending its services in oncology and IBD to better assess the nature of these chronic diseases.

New emerging areas

Intestinal injury is a major component of radiation sickness and the National Institutes of Health in the United States is funding the development of drugs that will prevent and treat radiation sickness following a nuclear terrorist event. EpiStem is currently evaluating the efficacy of candidate drugs to protect and/or repair intestinal injury in the radiation/nuclear medical countermeasure development programme.

Contract Research Services has a specialised understanding and expertise in the area of skin testing. It provides bespoke skin assays, designed to assess a drug's ability to protect against tissue damage from chemical and ultraviolet sources. The group has a specific competence in growth and differentiation of various skin tissue types.

Market overview and opportunity

The Directors believe that Contract Research Services' core assays for oncology supportive care and biodefence will provide the foundation for the division's future sustainability and growth.

Oncology supportive care

The worldwide market for supportive care products exceeds £6 billion per annum, primarily from Amgen and Johnson & Johnson's blood cell growth regulators. The growing sales of Amgen's Kepivance® for oral mucositis reflect an opportunity for additional therapeutics in this area. Contract Research Services is currently evaluating several anti-mucositis candidates.

Biodefence

EpiStem's biodefence subcontract, which is funded through the University of Maryland School of Medicine's prime contract with the National Institute of Allergy and Infectious Diseases of the National Institutes of Health, in the United States, involves screening of drug candidates to protect and/or repair intestinal injury followed by more comprehensive studies on selected drugs and is anticipated to continue over three years. EpiStem is currently the primary laboratory in the University of Maryland consortium that is evaluating the efficacy of candidate drugs to protect the epithelial lining in the gut from radiation damage for the radiation/nuclear medical countermeasure development programme. Independently two drug development companies with biodefence compounds have contracted EpiStem to conduct parallel studies in oncology supportive care.

Competition

The Directors believe that the Group's intestinal stem cell assays in supportive care and biodefence have few competitors. The Directors believe that limited oral mucositis models are conducted through a private contract research organisation in the United States.

Contract Research Services' oncology and IBD assays operate in a more competitive market with success based on providing an established quality of interactive service leading to repeat business. The team has built a track record and profitable business based on its expertise in assay design, execution and interpretation of results with its customers.

Novel Therapies Division

EpiStem intends to unlock the commercial value of adult epithelial stem cells by discovering the key regulators of stem cells and developing candidate therapeutics through commercial partnerships with drug development companies.

The core value generator in this division is its high resolution, gene expression profiling technology used to analyse the behaviour of epithelial stem cells. This know how has been generated over five years, profiling a wide range of epithelial tissues to elucidate the fundamental mechanisms of stem cell regulation.

The Directors believe that control over the regulation of intestinal stem cells will enable EpiStem to develop novel therapeutics to treat mucositis, cancer, IBD, and other epithelial stem cell disorders. The Directors believe that the regulators of intestinal stem cells are largely unknown due to the difficulties in accessing and

evaluating intestinal tissues. Through the combination of its gene profiling technology and its intestinal stem cell expertise, the Directors believe that they will be able to overcome these technical obstacles.

At the initial proof-of-concept stage, this technology approach resulted in the identification of ten potential cell receptor targets regulated by small molecule drugs. Biological activity was demonstrated in three out of the ten receptors. One small molecule drug was then selected and characterised. In 2004, EpiStem applied for patent protection for its application as an anti-mucositis therapy. In February 2007, EpiStem entered into its first licensing partnership with a clinical stage company to develop this small molecule drug for oncology supportive care and biodefence applications.

With the confirmation in 2004 that EpiStem's discovery technology could successfully identify relevant therapeutic targets, the Novel Therapies team embarked on a comprehensive programme to identify the key regulators of intestinal stem cells. The stem cell regulators will themselves be novel protein therapeutic candidates.

In June 2006, the division completed its gene profiling programme of intestinal stem cells and selected 250 genes that are likely to include candidate stem cell regulators. EpiStem engaged Eden Biodesign, a contractor at the National Biomanufacturing Centre in Liverpool, to produce the recombinant proteins. These proteins will initially be evaluated directly in the Contract Research Services Division's intestinal stem cell assays. EpiStem intends to apply for patent protection of candidate therapeutics identified and characterised in these assays.

The Directors believe that it is likely that some of the 250 proteins will also regulate epithelial stem cells in other tissues, such as hair follicles to turn on and off hair growth for use in cosmeceutical applications.

Developing innovative diagnostic biomarkers

EpiStem is applying its gene expression profiling technology to determine the feasibility of using plucked human hairs to guide the clinical development of new oncology drugs. Specifically, it is focusing on obtaining proof-of-concept for this diagnostic biomarker method to determine drug exposure, dose and dose scheduling, onset of intestinal toxicity, and patient selection. EpiStem already has two feasibility studies supported by drug development companies to determine the diagnostic biomarker's technical and biological robustness. The Directors believe that these initial feasibility studies are likely to lead to development partnerships in which EpiStem's plucked hair diagnostic biomarker will be evaluated as part of oncology clinical trials starting in 2007.

Market overview and opportunity

EpiStem's business model for therapeutics draws on the scientific and commercial validation of Amgen Inc.'s blood cell growth regulators. Both companies exploit the body's own regulators that bind cellular receptors to activate cells. Amgen generates over £5 billion in annual worldwide revenue from blood regulators that stimulate production of the oxygen-carrying red blood cells and the infection fighting white blood cells.

The Directors believe that Amgen has sustained and extended its market position over nearly two decades by introducing improved versions of their patented protein therapeutics. The Directors believe that this intellectual property strategy coupled with the complexity of protein manufacturing processes has protected Amgen from generic drug competition. EpiStem intends to adopt a similar strategic approach for its epithelial stem cell regulator programmes.

Wide range of tissue targets and clinical opportunities

The potential commercial opportunity to exploit the body's own regulators of epithelial stem cells could surpass that of the blood cell growth regulators. The epithelium offers a wide range of tissue targets, clinical disorders, and routes of drug delivery. In oncology alone, over 80 per cent. of all adult cancers originate from the epithelium, with some of the major disease conditions and leading drugs identified in Table 1.

<i>Clinical Areas</i>	<i>Tissue</i>	<i>Disease/ Condition</i>	<i>Cases Per Year Worldwide</i>	<i>Leading Drugs</i>	<i>Worldwide Sales 2006</i>	<i>Estimated Worldwide Market 2010</i>
Oncology Supportive Care (new cases)	Oral cavity & Upper GI	Mucositis	400,000	Kepivance® (Approved 2004)	\$10M (est.) (Note 1)	\$200M
	Bone Marrow	Anemia and infections	600,000*	ProCrit®, Aranesp® Neupogen®, Neulasta®	\$11,100M	\$21,000M
	Stomach/GI	Chemotherapy induced nausea and vomiting (CINV)	350,000*	Metaclopramide odansetron, palonosetron	\$2,000M	Not Available (Note 2)
					\$13,110M	\$21,200M
Oncology (new cases)	Lower GI	Colorectal	149,000*	Chemotherapy Targeted therapies	\$16,400M (2005) \$9,600M (2005)	\$26,000M \$22,000M
	Lung	Lung	174,000*			
	Breast	Breast	215,000*			
	Prostate	Prostate	234,000*			
	Others	Others	628,000*			
					\$26,000M	\$48,000M
Inflammatory Bowel Disease (chronic cases)	Colon/GI Tract	Ulcerative colitis/Crohn's Disease	4,000,000 (est. total)	Remicade® and others	\$605m (US only, 2005)	\$2,400M*
					\$605M	\$2,400M

Note 1: Directors' estimated value of sales for Kepivance in 2006 from IMS Health data.

Note 2: Doctors believe market will be flat/declining through to 2010 due to entry into market of generic products.

*denotes US only.

Commercialisation strategy for therapeutics

EpiStem intends to advance its candidate therapeutics to the stage of proof-of-concept in late preclinical development and then enter into commercial partnerships with clinical stage development companies. This strategy leverages the Company's strengths – discovery through to preclinical efficacy – and provides an early opportunity to obtain scientific and commercial validation of its therapeutic business model. The Directors believe the Company is on track to identify 1-4 candidate stem cell regulators for preclinical development in 2007 and enter into additional commercial partnerships in 2008.

Future strategy

The Company's future strategy is predicated on the continued growth of its Contract Research Services and Novel Therapies Divisions. Based on the already profitable Contract Research Services Division, the new funding will primarily underpin drug development in the Novel Therapies Division. Where appropriate, the Company may consider the acquisition of complementary technologies to strengthen its business model and accelerate product and service development.

Summary financial information

The Company is a holding company and has not traded. The following financial information has been extracted from the accountant's report on EpiStem contained in Part IIIB of this document and should be read in conjunction with the full text of this document. Investors should not rely solely on the summarised information in making their investment decisions.

	Year ended 30 June			6 months ended 31 December
	2004	2005	2006	2006
	£000's	£000's	£000's	£000's
Turnover	704	1,245	901	667
PBT	(250)	48	(756)	(481)
Net assets	99	1,634	1,095	714
Cash at bank	90	1,517	681	328

Current trading

Since 31 December 2006, the trading of EpiStem's Contract Research Services Division has been in line with management expectations and the Novel Therapies Division has concluded an agreement with a clinical stage company to commercialise its first therapeutic candidate. The Board remains confident that overall trading will continue to meet internal expectations.

Directors and employees

The Board consists of eight Directors in respect of whom brief biographies are set out below. Details of service contracts, option arrangements and pension arrangements relating to the Directors are set out in paragraphs 5-8 of Part IV of this document.

David Evans (aged 46), Non-Executive Chairman

David was executive Chairman of EpiStem from 2006 until February 2007. As the former CFO he guided Shield Diagnostics Ltd. through its IPO and then, as its CEO, through its merger with Axis Biochemical ASA to form Axis-Shield plc, a Fully Listed diagnostics company. In addition to being Chairman of the Company he is currently non-executive Chairman of BBI Holdings plc, Immunodiagnostic Systems Holdings plc and Omega Diagnostics Group plc, all of which are AIM listed diagnostic companies.

Matthew Walls (aged 43), Chief Executive Officer

Matthew joined EpiStem in February 2007 as Chief Executive Officer. Matthew is an experienced CEO most recently with Oxford BioSignals Limited where he led the strategic 'diagnostic' collaboration with Rolls Royce Plc and Covance Inc and completed the recent fundraising and repositioning of the medical diagnostic business to the United States. Matthew spent the early part of his career with ICI plc progressing through the executive development programme and several senior management positions. Matthew headed up the corporate financial and commercial development of plant biotechnology at AstraZeneca plc prior to its merger with Novartis to form Syngenta plc. Matthew has led the growth and development of several technology and biotechnology companies as CEO including Internexus Limited and Zylepsis Limited. Matthew holds a non-executive role at Riyada Oxford Investments Limited and is a chartered accountant and a member of CIMA.

John Rylands (aged 52), Financial Director

John originally joined EpiStem in 2002 as an investor and non-executive director and in 2005 he took over his current role. Mr. Rylands worked at Northern Venture Management, providing corporate finance advice to private companies before joining EpiStem. Until 1999 he was an investor in and consultant to the SDS group of companies. John holds a degree in Economics and Accountancy from Manchester University and is a member of ICAEW.

Jeffrey Moore, Ph.D. (aged 47), Managing Director, Novel Therapies

Jeffrey joined EpiStem in 2005 in his current role. Prior to joining EpiStem he had been at Phylogix, a US biotech company based in the Boston area that he had founded in 1998. Phylogix business was based on a stem cell preservation factor that he discovered while leading a team at ImClone Systems Incorporated. Until 1992, when he joined ImClone, he had held two postdoctoral fellowships at different research institutes,

DNAX Research Institute of Molecular and Cellular Biology, Inc. and the Walter and Eliza Hall Institute of Medical Research. Throughout his career Jeffrey has kept a strong interest in stem cell regulation and the potential commercial application of these factors. He holds a Ph.D. from George Washington University.

Professor Chris Potten, Ph.D. (aged 67), Chief Scientific Adviser

Chris is a co-founder of EpiStem and the Company capitalises on the results of the research that was produced by him and his team at the Paterson Institute over the past three decades. While not involved in the day to day management of EpiStem Chris keeps a strong interest in the progress and success of EpiStem and prior to Admission has been its biggest individual shareholder.

Catherine Booth, Ph.D. (aged 41), Managing Director, Contract Research Services

Catherine is a co-founder of EpiStem and prior to starting EpiStem she worked for 16 years with Professor Chris Potten at the Paterson Institute. While at the Paterson Institute she developed many of the pre-clinical assays that today are the core of EpiStem's Contract Research Services Division. Catherine received her Ph.D. from the Emmanuel College, University of Cambridge.

Gerard Brady, Ph.D. (aged 50), Research Director, Novel Therapies

Gerard joined EpiStem shortly after its inception from Manchester University where he was a lecturer and was previously a Zeneca Fellow. He brought with him important technological expertise gained through working on blood stem cells. Of particular importance to EpiStem is his expertise in single cell gene analysis, which enables the examination of rare cells such as stem cells. Gerard previously held scientific positions in Canada and at EMBL, Heidelberg.

Robert Nolan (aged 64), Non-executive Director

Robert has been a Non-executive Director of the Company since 2004. He brings with him a wealth of expertise in partnering and licensing negotiations both with small biotech and large pharmaceutical companies. Prior to his retirement he was Director, Global Licensing at AstraZeneca. He is also a non-executive Director of f2g Ltd.

The Group employs 29 staff in total all of which are based at the Company's premises in The Incubator Building, 48 Grafton Street, Manchester M3 9XX.

Corporate governance

The Company intends where practicable, having regard to the current stage of development of the Group, to comply with the principal recommendations of the Combined Code.

The Combined Code recommends that non-executive directors should comprise at least half of the Board and that there should be a senior independent non-executive director. However, the Combined Code recognises that an entity of the Company's size should have at least two independent non-executive directors. The Combined Code provides that the Board should determine whether a director is independent in character and judgment and whether there are any relationships and circumstances which are likely to affect, or could appear to affect, the director's judgment. In accordance with the Combined Code, the Board has determined that David Evans and Robert Nolan are independent. David Evans is the senior independent non-executive Director.

The Board has established an Audit Committee, Remuneration Committee, Nomination Committee and Administrative Committee, each with formally delegated duties and responsibilities.

The Audit Committee will receive and review reports from the management and the Company's auditors relating to annual and interim accounts and the accounting and internal controls in place throughout the Group. The Audit Committee will have unrestricted access to EpiStem's auditors. Upon Admission the members of the Audit Committee will be David Evans and Robert Nolan.

The Remuneration Committee will review the scale and structure of the executive directors' and senior management's remuneration and the terms of their service contracts. The remuneration and terms of

appointment of the Non-executive Directors will be set by the Board. The Remuneration Committee will also approve the issue of share options under the EpiStem Share Option Schemes. Upon Admission, the members of the Remuneration Committee will be David Evans and Robert Nolan.

The Nomination Committee will have responsibility for reviewing the size, structure and composition of the Board, retirements and appointments of replacement and additional directors and making appropriate recommendations in this regard to the Board. Upon Admission, the members of the Nomination Committee will be David Evans and Robert Nolan.

The Administrative Committee will deal with minor administrative matters, any two directors may form a quorum for this committee.

The Company will operate a share dealing code for the Directors on the basis set out in the Listing Rules.

Details of the Placing

Under the Placing the Company is issuing 807,628 New Ordinary Shares. The Placing Shares represent approximately 12.35 per cent. of the Enlarged Share Capital immediately on Admission, on the assumption that all of the Placing Shares are issued. The Placing is conditional upon, among other things, Admission. The Placing is not being underwritten. Further details of the Placing Agreement are set out in paragraph 12 of Part IV of this document.

Application has been made for the existing issued Ordinary Shares (including the Placing Shares and the Pre-flotation Fundraising Shares) to be admitted to trading on AIM. Dealings on AIM are expected to commence on 4 April 2007 in respect of the First Admission, 10 April 2007 in respect of the Second Admission and 11 April 2007 in respect of the Third Admission.

The Directors' interests following Admission are set out in paragraph 6 of Part IV of this document. In aggregate, the Directors will be interested in 33.40 per cent. of the Enlarged Share Capital following Admission, on the assumption that all of the Placing Shares are issued and completion of the Selling Shareholder Placing.

Reasons for Admission and the Placing

The Company intends to raise approximately £2,558,058 net of expenses pursuant to the Placing and the Pre-flotation Fundraising. The net proceeds of the Placing and the Pre-flotation Fundraising will be used to:

- fund further research to enable the commercial partnering of therapeutic candidate(s) from the Novel Therapies Division;
- fund the development of the Company's diagnostic platform based on epithelial stem cell biology; and
- general corporate purposes.

The Directors also believe that the profile of the Group will be significantly enhanced as a UK listed public company.

The Directors believe that Admission will:

- enhance the Group's status;
- assist the Company in raising additional capital should this be required; and
- provide liquidity for investors through the ability to buy and sell Ordinary Shares.

Lock-in arrangements

Under the terms of the Placing Agreement, the Directors have undertaken that, subject to certain limited exceptions, they will not sell or otherwise dispose of, or agree to sell or dispose of, any of their interests in Ordinary Shares held by them respectively until one month after the publication of the preliminary results for the year ended 30 June 2008.

In addition orderly market arrangements apply for a period of 12 months following the expiry of the lock-in period referred to above, whereby the Directors have undertaken to sell Ordinary Shares through Teather & Greenwood.

Dividend Policy

In the medium term it is the Directors' intention to re-invest funds directly into the Company rather than to fund the payment of dividends. Thereafter, the payment of dividends will be subject to the availability of distributable reserves whilst maintaining an appropriate level of dividend cover and having regard to the need to retain sufficient funds to finance the development of the Company's activities.

Employee Share Option Scheme

Immediately following Admission the Company will have granted share options and warrants to subscribe for up to 1,374,850 Ordinary Shares representing 21.03 per cent. of the Enlarged Share Capital. Taking this into account, an additional 458,224 Ordinary Shares remain available for reward as options under the Share Option Schemes and any new share option schemes to be adopted by the Company in the future. The Directors intend to introduce a Save as You Earn Share Option Scheme and a new performance based EMI share option scheme for employees following Admission.

Enterprise Investment Scheme and Venture Capital Trusts

The Company is a qualifying investment for the purposes of the Enterprise Investment Scheme ("EIS") and a "qualifying company" for the purposes of investment by Venture Capital Trusts ("VCTs").

The continuing availability of EIS relief and the status of the Placing Shares as a qualifying holding for VCT purposes will be conditional, *inter alia*, on the Company continuing to satisfy the requirements for a qualifying company throughout the period of three years from the date of the investor making his investment (under EIS) and, for VCT purposes, throughout the period the Ordinary Shares are held as a "qualifying holding". Qualifying company status requires, *inter alia*, the Company to conduct its trading mainly in the UK. There are other conditions the Company has to satisfy, and in such cases the Company's status is usually closely monitored.

Investors considering taking advantage of any of the reliefs available under the EIS and VCT regimes should seek individual advice in order that they may fully understand how the rules apply in their individual circumstances.

In addition, an investor must be a qualifying investor in order to be entitled to EIS relief and it is again recommended that investors seek their own professional advice in this regard.

The Directors and the Company give no undertaking or guarantee whatsoever to investors that the business of the Company will be conducted in a manner which is consistent with the provisions of the EIS or VCT regimes.

Further information on the EIS, VCTs and taxation is included in paragraph 9 of Part IV of this document.

CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Articles permit the holding of Ordinary Shares under the CREST system. The Company has applied for the Ordinary Shares to be admitted to CREST with effect from Admission and CRESTCo Limited has agreed to such admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if any shareholder so wishes. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

Dealing arrangements

Application has been made for the issued Ordinary Shares (including the Placing Shares and the Pre-flotation Fundraising Shares) to be admitted to trading on AIM and it is anticipated that Admission will become effective and that dealings will commence on 4 April 2007 in respect of the First Admission, on 10 April 2007 in respect of the Second Admission and on 11 April 2007 in respect of the Third Admission.

Taxation

Your attention is drawn to paragraph 9 of Part IV 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 or her tax position he or she should consult his or her own independent financial adviser immediately.

Working capital

The Directors are of the opinion, having made due and careful enquiry, that the Group as a whole has sufficient working capital available for its present requirements, that is for at least twelve months from Admission.

Further information

Prospective investors should carefully consider the information in Part II of this document which sets out certain risk factors relating to any investment in Ordinary Shares, and Parts I, III and IV which provide financial and additional information on the Group.

PART II

RISK FACTORS

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 the United Kingdom. In addition to the usual risks associated with an investment in a business at an early stage of its development, the Directors consider that the following risk factors are significant to potential investors and should be carefully considered together with all other information contained in this document, prior to investing in Ordinary Shares. The risks listed do not necessarily comprise all those associated with an investment in the Company and are not intended to be presented in any assumed order of priority.

General

- Prior to Admission, there has been no public market in the Ordinary Shares. Whilst the Company is applying for the admission of the Enlarged Share Capital to trading on AIM, there can be no assurance that an active trading market for the Ordinary Shares will develop, or if developed, that it will be maintained. AIM is a market for emerging or smaller growing companies and may not provide the liquidity normally associated with the Official List or other exchanges.
- The future success of AIM and liquidity in the market for the Ordinary Shares cannot be guaranteed. In particular, the market for the Ordinary Shares may be, or may become, relatively illiquid (particularly given the lock-in arrangements described in paragraph 12 of Part IV of this document) and therefore the Ordinary Shares may be or may become difficult to sell and the investors may receive less than the amount originally invested.
- An investment in the Company may not be suitable for all recipients of this document. Accordingly investors are strongly advised to consult an independent financial adviser authorised for the purpose of FSMA who specialises in the acquisition of shares and other securities in the UK before making any decision to invest.
- Additional risks and uncertainties not presently known to the Directors, or that the Directors do not currently anticipate to be material, may also have an adverse effect on the Group's business and financial position.

Novel Therapies reliance on drug candidates

- For the foreseeable future, the Novel Therapies Division will have significant reliance upon the success of 250 proteins identified as potential drug candidates, a subset of which will undergo further evaluation as stem cell regulators for the Group's emerging drug development pipeline.
- The identification and development of drug candidates involves a lengthy and complex process. Adverse or inconclusive results or manufacturing obstacles at any time from initial validation through to clinical trials may result in a substantial delay, or halt entirely the research into, and development of, these drug candidates. This could materially impact on the ability of the Group to sign agreements with development and commercialisation partners.

No assurance can be made that any of the 250 proteins identified as potential drug candidates will have clinical efficacy or application.

Novel Therapies dependence on collaborators

- The Group's collaborators will have substantial responsibility and carry the majority of the financial burden for the development and commercialisation of the Group's drug candidates. Certain of the Group's collaborators will have significant discretion over the resources they devote to these efforts. The Group's success, therefore, will depend on the ability and efforts of those third parties. The Group cannot guarantee that these collaborators will devote sufficient resources to the Group's drug candidates which cannot be developed and commercialised without these collaborators.

Novel Therapies dependence on licensing agreements

- Novel Therapies's current revenues are derived from licensing agreements with a clinical stage company. The Directors believe future revenues will be derived from similar licensing agreements with clinical development and commercialisation companies. The majority of drug candidates currently being researched and developed have not been licensed.
- There is no assurance that the Group will be able to negotiate commercially acceptable licenses for the research and development of drug candidates. Licenses may fail to generate sufficient revenues for the Group because such drug candidates are not accepted by the market or are the subject of strong competition.
- In addition, there can be no assurance that any company that enters into agreements with the Group will not pursue alternative technologies, either on its own or in collaboration with others, as a means of developing treatments for the conditions targeted by those drug candidates which the Group has and intends to license.

Novel Therapies clinical evaluation

- The Group's research is ongoing and requires further preclinical and proof of concept clinical trials to prove efficacy before applications for marketing approval can be lodged with the regulatory authorities. The commercialisation of any products may be delayed if such regulatory authorities require the Group or any future partner to expand the size or scope of clinical trials beyond the size or scope originally planned. Indeed, there can be no assurance that any of the Group's drug candidates in development will successfully be scaled to commercial manufacturing volumes, complete all necessary clinical studies and meet the regulatory requirements to obtain marketing authorisation in the main markets.
- The Group's potential drug candidates will require clinical evaluation to ensure their safety and/or efficacy. The process of clinical evaluation and subsequent regulatory approval will require significant investment, which generally takes many years to complete and has uncertain outcomes.
- The clinical evaluation, manufacture and commercialisation of pharmaceutical drug candidates are subject to regulation by regulatory and governmental authorities in all territories in which the Group, or any of its partners or licensees, wishes to test, manufacture or market its drug candidates. Changes in such regulations may adversely affect the development of the Group's drug candidates or cause marketing approvals, if obtained, to be withdrawn or suspended.
- Clinical trials also have a high risk of failure. Due to the inherent risk in developing pharmaceuticals, it is probable that nearly all drug candidates in the Group's portfolio will not be developed successfully, nor launched, nor achieve sales. The hypothesis on which clinical trials are structured may evolve from a combination of findings across various studies. These may not always translate into a successful human trial. In addition, a number of companies in the pharmaceutical industry, including biotechnology companies, have suffered significant setbacks in advanced clinical trials, even after achieving promising results in earlier trials. If the Group's future partners experiences delays in the testing or approval process or needs to perform more or larger clinical trials than originally planned, the Group's financial results and its commercial prospects may be impaired.
- Even if the Group's drug candidates receive regulatory approval, there can be no assurance that the Group will not experience delays in the development or approval process that could adversely affect the cost of development or commercial value of its drug candidates. Any approval would be limited to conditions for which a drug candidate has proven to be safe and effective. There can be no assurance that any regulatory approvals will not be more limited in scope than the Directors currently anticipate. Product approval, if granted, can be withdrawn for failure to comply with regulatory requirements or upon the occurrence of adverse events following commercial introduction of the product. Many of these events may be outside the Group's control.

No assurance can be made that the Group will be able to bring any of the drug candidates it is developing to market.

Share Price Volatility and Liquidity

- The share price of publicly traded biotechnology and emerging pharmaceutical companies can be highly volatile. The market price of the Ordinary Shares could be subject to significant fluctuations due to a change in investor sentiment regarding the Ordinary Shares or other securities related to the biotechnology industry or in response to various facts and events, including variations in the Group's interim or full year operating results and business developments of the Group and/or competitors.
- The market price of the Ordinary Shares may not reflect the underlying value of the Group.
- Potential investors should be aware that the value of shares and the income from them can go down as well as up and that investment in a share which is traded on AIM might be less realisable and might carry a higher risk than a share quoted on the Official List.

Limited Operating History

- The Group is at an early stage of development and has only generated limited revenues from its operations to date. The generation of revenues is difficult to predict and there is no guarantee that the Group will generate significant revenues in the foreseeable future.
- The Group has a history of operating losses. As at 30 June 2006, the Group's operating losses (as set out in the Accountant's Report in Part III of this document) for the 12-month period ended 30 June 2006 were £1,437,152. The Group expects to continue to incur operating losses over a number of years and may never be profitable. There is no assurance that the Group will achieve significant revenues or profitability and thus there is also no assurance that the Group will pay dividends to shareholders.
- The Group's ability to achieve profitability is dependent on a number of factors and the Group expects to incur operating losses for the foreseeable future. The Group expects to expand its R&D efforts significantly, which will result in increasing losses, and may continue to incur substantial losses in the future.
- The Group has a limited operating history upon which its future performance and prospects can be evaluated and faces risks frequently encountered by developing companies.

Loss of Key Personnel

- Loss of key management could have adverse consequences for the Group. While EpiStem has entered into service agreements with each of its Executive Directors, the retention of their services cannot be guaranteed.

Investment Strategy

- There can be no certainty that the Group will be able to implement successfully the strategy set out in this document.
- The ability of the Group to implement its strategy in a competitive market requires effective planning and management control systems. The Group's future growth will depend on its ability to expand and improve operational, financial and management information and control systems in line with the Group's growth. Failure to do so could have an adverse effect on the Group's business, financial condition and results of operations.
- The ability of the Group to implement its strategy in a competitive market also requires access to key personnel of potential licensing partners. Without access to business development managers, drug development/clinical research managers and similar employees at drug developing companies EpiStem will not be able to license its drug development candidates from its Novel Therapies Division. Failure to obtain this access could have an adverse effect on the Group's business, financial condition and results of operations.
- Even where the Group has access to the key personnel of potential licensing partners, there can be no guarantee that they will be able to conclude licensing deals on commercially acceptable terms. Failure

to reach licensing agreements on commercially acceptable terms could have an adverse effect on the Group's business, financial condition and results of operations.

- There may be a change in government regulation or policies, which materially adversely affects the Group's ability to implement successfully the strategy set out in this document.

Intellectual Property

- Although the Group goes to substantial efforts to protect its intellectual property, there can be no assurance that patents will be issued with respect to applications now pending or which may be applied for in the future. The lack of any such patents may have a material adverse effect on the Group's ability to develop its business. No assurance can be given that patents granted or licensed to the Group will be sufficiently broad in their scope to provide protection for the Group against other third party technology. There can be no assurance as to the validity or scope of any patents which have been, or may in the future be, granted or licensed to the Group or that claims relating to the patents will not be asserted by other parties. The commercial success of the Group also depends upon the Group not infringing patents granted to third parties who may have filed applications or who have obtained or may obtain patents relating to business processes which might inhibit the Group's ability to develop and exploit its own business. If this is the case, the Group may have to obtain alternative technology or reach commercially acceptable terms on the exploitation of other parties' intellectual property rights. There can be no assurance that the Group will be able to obtain alternative technology or, if any licences are required, that the Group will be able to obtain any such licence on commercially acceptable terms, if at all.
- The Group's methods and policies for protecting unpatented confidential information, including concepts, know-how and documentation of its technology may not afford the Group complete protection and there can be no assurance that others will not obtain access to that confidential information.
- To the extent that the Group's processes are protected by intellectual property rights and the Group is alleged to infringe third party intellectual property rights, then litigation may be necessary and could result in substantial cost to, and diversion of efforts by, the Group's management with no guarantee of success. The Group does not carry any intellectual property insurance.
- The Directors rely upon their knowledge of the market place to identify any breach, or alleged breach, of patents held by the Group and they do not normally instruct patent agents for this purpose.

Competition

- Competitors may be able to develop products and services that are more attractive to customers than the Group's products and services. In order to be successful in the future the Group will need to continue to finance substantial research and development activities and continue to respond promptly and effectively to the challenges of technological change in the biotechnology industry and competitors' innovations. An inability to devote sufficient resources to research and development activities in order to achieve this may lead to a material and adverse effect on the Group's business.

Commercialisation

- The Group may have to defend itself against legal proceedings which could have an adverse affect on trading performance and, in turn, future profits.
- The Group's business exposes it to potential product liability and indemnity risks. There can be no assurance that the necessary insurance cover will be available to the Group at a commercially acceptable cost or that, in the event of any claim, the level or extent of insurance carried by the Group now or in the future will be adequate, or that a product liability or other claim would not materially and adversely affect the business of the Group.

- The Group's ability to generate revenues in part depends on the efforts of third parties, over whom there is little control. New sales of the Group's products may also be subject to potential delays arising from customers' acceptance and approval processes.
- The manufacturing, marketing and use of the Group's products are subject to regulation by government and regulatory agencies in many countries. Of particular importance is the requirement to obtain and maintain approval for a product from the applicable regulatory agencies to enable the Group's products to be marketed. Such approval requires clinical evaluation of data relating to safety, quality and efficacy of a product. Many territories, including the United States, the European Union and Japan, have high standards of technical appraisal and accordingly clinical trials have a risk of failure. There are no assurances that the Group's products will complete clinical trials or that regulatory approvals to manufacture and market its products will be obtained. Changes in legislation, regulatory policies or the discovery of problems with the products or their manufacture may result in the imposition of restrictions on the products or their manufacture and may have an adverse impact on the Group's business.
- There is no assurance that the Group will be successful in the commercialisation of its products and services and, if commercialised, that there will be a market for these products.
- The success of the Group's Contract Research Services Division is dependent on adoption by the research and clinical communities and the Group's Contract Research Services being recognised as reliable, accurate and cost effective. Although the Board is confident that the Group's Contract Research Services can be applied to a number of applicable clinical and research situations, there is no assurance that researchers or clinicians will use the products in these areas or that there will be sufficient demand. Furthermore there can be no assurance that competing technologies will not be developed with similar properties or potential benefits.
- The Group has no manufacturing process. Any manufacturing process would have to be outsourced to a partner. These arrangements usually provide for an adequate volume of manufacturing capability. No assurance can be given that a future manufacturing partner (i) can be found to provide a product on commercially acceptable terms and (ii) will achieve and sustain the production yields required to meet the Group's customers' demand for the Group's products. This could have a material and adverse effect on the Group's business.

Economic Factors

- Fluctuations in exchange rates may affect product demand in different regions and may adversely affect the profitability of products provided by the Group in foreign markets where payment for the Group's product suite is made in local currency.

Further Funding Requirements

- The Company may require access to additional funding in the future, and if the Company fails to obtain such funding, it may need to delay or scale back the implementation of its future strategy. The funds that the Company may need will be determined by numerous factors, some of which are beyond the Company's control.
- The Novel Therapies Division may require significant capital investment in the future. If the Company's capital resources are insufficient to meet future capital requirements, additional funds would be required. If the Company is unable to obtain additional funds on satisfactory terms, it may be required to cease or reduce its operating activities. If the Company raises additional funds by selling additional shares, the ownership interests of existing Shareholders may be materially diluted.

Although the Directors will seek to minimise the impact of the risk factors, investment in the Company should only be made by investors able to sustain a total loss of the investment. Investors are strongly recommended to consult an investment adviser authorised under FSMA (who specialises in investments of this nature) before making a decision to invest.

PART IIIA

ACCOUNTANTS' REPORT ON FINANCIAL INFORMATION ON EPISTEM HOLDINGS PLC

The Directors
Epistem Holdings Plc
The Incubator Building
Grafton Street
Manchester
M13 9XX

The Directors
Teather & Greenwood
Beaufort House
15 St Botolph Street
London
EC3A 7QR

30 March 2007

Dear Sirs,

Epistem Holdings Plc (“the Company”)

We report on the financial information set out in Part IIIA of this Admission Document. This financial information has been prepared for inclusion in the AIM Admission Document of Epistem Holdings Plc dated 30 March 2007 on the basis of the accounting policies set out on page 29. This report is required by paragraph (a) of Schedule Two of 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 (a) of Schedule Two of the AIM Rules to any person as and to the extent provided, the the fullest extent permitted by law, we do not assume any responsibility and will not accept any responsibility to any other person for any loss suffered by any such person as a result of, arising out of, or in connection with this report or our statement, required and given solely for the purposes of complying with paragraph (a) of Schedule Two of the AIM Rules consenting to its inclusion in the Admission Document.

Introduction

The Company was incorporated on 15 February 2007. On incorporation, the Company had an authorised share capital of £60,684 divided into 4,045,628 ordinary shares of £0.015 each, of which two were issued as fully paid.

The Company has not traded, prepared any financial statements for presentation to members, has incurred neither a profit nor loss, and has neither declared nor paid dividends or made any other distributions since the date of incorporation. There have been no other transactions and accordingly no profit and loss account information is presented in this report.

Responsibilities

The directors of the Company are responsible for preparing the financial information on the basis of preparation set out in the notes to the financial information.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view for the purposes of the AIM Admission Document and to report our opinion to you.

Basis of Opinion

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

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

Opinion

In our opinion, the financial information set out in Part IIIA gives for the purposes of the Admission Document dated 30 March 2007, a true and fair view of the state of affairs of the Company as at 28 February 2007 in accordance with the basis of preparation set out in the notes to this financial information.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the AIM 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 AIM Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully,

HWCA Limited

Chartered Accountants

Financial Information on Epistem Holdings Plc

The financial information on the Company has been extracted from the financial records of the Company. No audited financial statements have been prepared from 15 February 2007 to 28 February 2007. The financial information does not constitute statutory accounts within the meaning of section 240 of the Act.

PRINCIPAL ACCOUNTING POLICY

Accounting convention

The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom.

BALANCE SHEET

	<i>Notes</i>	<i>28 February 2007 £</i>
Current assets		
Cash in hand		—
		<hr/>
Capital and reserves		
Called up share capital	1	—
		<hr/>

NOTE TO THE FINANCIAL STATEMENTS

1 Share capital

	<i>28 February 2007 £</i>
Authorised:	
4,045,628 Ordinary shares of £0.015 each	60,684
	<hr/>
Allotted, called up and fully paid:	
2 Ordinary shares of £0.015 each	—
	<hr/>

PART IIIB

ACCOUNTANTS' REPORT ON EPISTEM LIMITED

The Directors
EpiStem Limited
The Incubator Building
Grafton Street
Manchester
M13 9XX

Teather & Greenwood Limited
Beaufort House
15 St. Botolph Street
London
EC3A 7QR

30 March 2007

Dear Sirs,

EpiStem Limited

We report on the financial information set out in Part IIIB of this Admission Document. This financial information has been prepared for inclusion in the AIM Admission Document of EpiStem Holdings Plc dated 30 March 2007 on the basis of the accounting policies set out in note 1 of the financial information on pages 35 and 36. This report is required by paragraph (a) of Schedule Two of the AIM Rules and is given for the purposes of complying with that paragraph and for no other purpose.

Save for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules to any person as and to the extent provided, to the fullest extent permitted by law, we do not assume any responsibility and will not accept any responsibility to any other person for any loss suffered by any such 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 (a) of Schedule Two of the AIM Rules consenting to its inclusion in the Admission Document.

Responsibilities

The directors of EpiStem Limited are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view for the purposes of the AIM Admission Document and to report our opinion to you.

Basis of Opinion

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

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the

financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information as adjusted and set out in Part IIIB gives for the purposes of the AIM Admission Document dated 30 March 2007, a true and fair view of the state of affairs of EpiStem Limited as at the dates stated and of its profits, losses, cash flows and recognised gains and losses for the periods then ended in accordance with the basis of preparation set out in note 1 of the financial information on pages 35 and 36.

Declaration

For the purposes of paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the AIM 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. The declaration is included in the AIM Admission Document in compliance with Schedule Two of the AIM rules.

Yours faithfully,

HWCA Limited
Chartered Accountants

PROFIT AND LOSS ACCOUNT

	<i>Notes</i>	<i>Year Ended 30 June 2004 £</i>	<i>Year Ended 30 June 2005 £</i>	<i>Year Ended 30 June 2006 £</i>	<i>Period Ended 31 December 2006 £</i>
CRO turnover		703,964	1,245,044	901,161	666,846
NT turnover		–	–	–	–
Turnover	2	<u>703,964</u>	<u>1,245,044</u>	<u>901,161</u>	<u>666,846</u>
CRO cost of sales		(444,752)	(582,584)	(704,682)	(499,015)
NT cost of sales		–	–	–	–
Cost of sales		<u>(444,752)</u>	<u>(582,584)</u>	<u>(704,682)</u>	<u>(499,015)</u>
CRO gross profit		259,212	662,460	196,479	167,831
NT gross profit		–	–	–	–
Gross profit (CRO Contribution)		259,212	662,460	196,479	167,831
Research and development (NT only)		(311,097)	(341,940)	(681,756)	(461,972)
Administrative expenses		(195,908)	(269,235)	(314,931)	(190,122)
Operating (loss)/profit	3	<u>(247,793)</u>	<u>51,285</u>	<u>(800,208)</u>	<u>(484,263)</u>
Interest receivable		298	407	49,853	12,138
Interest payable and similar charges	4	<u>(3,000)</u>	<u>(3,036)</u>	<u>(5,643)</u>	<u>(9,404)</u>
(Loss)/profit on ordinary activities before taxation		(250,495)	48,656	(755,998)	(481,529)
Tax on (loss)/profit on ordinary activities	5	<u>32,706</u>	<u>8,011</u>	<u>130,527</u>	<u>100,173</u>
(Loss)/profit for the financial period		(217,789)	56,667	(625,471)	(381,356)
Balance brought forward		<u>(650,559)</u>	<u>(868,348)</u>	<u>(811,681)</u>	<u>(1,437,152)</u>
Balance carried forward		<u>(868,348)</u>	<u>(811,681)</u>	<u>(1,437,152)</u>	<u>(1,818,508)</u>

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the periods as set out above.

BALANCE SHEET

	<i>Notes</i>	<i>30 June 2004 £</i>	<i>30 June 2005 £</i>	<i>30 June 2006 £</i>	<i>31 December 2006 £</i>
Fixed Assets					
Intangible assets	6	70,418	66,554	62,690	60,758
Tangible assets	7	89,464	83,907	292,307	375,977
		<u>159,882</u>	<u>150,461</u>	<u>354,997</u>	<u>436,735</u>
Current assets					
Debtors	8	224,221	338,246	453,890	563,553
Cash at bank		89,586	1,517,266	680,960	328,414
		<u>313,807</u>	<u>1,855,512</u>	<u>1,134,850</u>	<u>891,967</u>
Creditors: amounts falling due within one year	9	<u>(372,806)</u>	<u>(372,248)</u>	<u>(281,624)</u>	<u>(450,576)</u>
Net current (liabilities)/assets		<u>(58,999)</u>	<u>1,483,264</u>	<u>853,226</u>	<u>441,391</u>
Total assets less current liabilities		100,883	1,633,725	1,208,223	878,126
Creditors: amounts falling due after more than one year	10	<u>(2,154)</u>	<u>–</u>	<u>(113,205)</u>	<u>(164,464)</u>
		<u>98,729</u>	<u>1,633,725</u>	<u>1,095,018</u>	<u>713,662</u>
Capital and reserves					
Called-up equity share capital	14	149	199	202	202
Share premium account	15	966,928	2,445,207	2,531,968	2,531,968
Profit and loss account		(868,348)	(811,681)	(1,437,152)	(1,818,508)
Equity shareholders' funds	16	<u>98,729</u>	<u>1,633,725</u>	<u>1,095,018</u>	<u>713,662</u>

The financial statements for the sixth month period ended 31 December 2006 have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective January 2005).

The financial statements for each of the three years ended 30 June 2006 have been prepared in accordance with the specific provisions for smaller companies under Part VII of the Companies Act 1985.

CASH FLOW STATEMENT

	<i>Year Ended</i> <i>30 June</i> <i>2004</i> £	<i>Year Ended</i> <i>30 June</i> <i>2005</i> £	<i>Year Ended</i> <i>30 June</i> <i>2006</i> £	<i>Period Ended</i> <i>31 December</i> <i>2006</i> £
Net cash outflow from operating activities	(75,122)	(66,823)	(874,769)	(298,053)
Returns on investments and servicing of finance				
Interest received	298	407	49,853	12,138
Interest paid	–	(36)	(203)	(174)
Interest element of hire purchase	(3,000)	(3,000)	(5,440)	(9,230)
Net cash (outflow)/inflow from returns on investment and servicing of finance	(2,702)	(2,629)	44,210	2,734
Taxation	124,474	56,831	8,011	–
Capital expenditure				
Payments to acquire tangible fixed assets	(9,376)	(22,443)	(278,171)	(135,370)
Net cash outflow from capital expenditure	(9,376)	(22,443)	(278,171)	(135,370)
Cash inflow/(outflow) before financing	37,274	(35,064)	(1,100,719)	(430,689)
Financing				
Issue of equity share capital	–	50	3	–
Share premium on issue of equity share capital	–	1,478,279	86,761	–
Capital element of hire purchase	(17,482)	(15,585)	172,560	83,232
Net cash (outflow)/inflow from financing	(17,482)	1,462,744	259,324	83,232
Increase/(decrease) in cash	19,792	1,427,680	(841,395)	(347,457)

Reconciliation of operating (loss)/profit to net cash outflow from operating activities

	<i>Year Ended</i> <i>30 June</i> <i>2004</i> £	<i>Year Ended</i> <i>30 June</i> <i>2005</i> £	<i>Year Ended</i> <i>30 June</i> <i>2006</i> £	<i>Period Ended</i> <i>31 December</i> <i>2006</i> £
Operating (loss)/profit	(247,793)	51,285	(800,208)	(484,263)
Amortisation	2,898	3,864	3,864	1,932
Depreciation	37,800	28,000	69,771	51,700
Movement in debtors	(87,427)	(162,845)	6,872	(9,490)
Movement in creditors	219,400	12,873	(155,068)	142,068
Net cash outflow from operating activities	(75,122)	(66,823)	(874,769)	(298,053)

FINANCIAL INFORMATION ON EPISTEM LIMITED

1. Accounting policies and basis of preparation

The financial information on EpiStem Limited has been extracted from the non published audited accounts of the company for the year ended 30 June 2004, the published audited accounts for each of the two years ended 30 June 2006 and the non statutory audited accounts for the period ended 31 December 2006. The financial information does not constitute statutory accounts within the meaning of Section 240 of the Act.

The audited accounts for each of the three years ended 30 June 2006 have been adjusted to reclassify certain costs previously reported as cost of sales to research and development costs.

Haines Watts, Chartered Accountants and Registered Auditors, audited the financial statements for the periods ended 30 June 2004, 30 June 2005 and 30 June 2006. Each audit report was unqualified and did not contain a statement under Section 237(2) or (3) of the Act.

HW, Chartered Accountants and Registered Auditors, audited the interim financial information of EpiStem Limited for the period ended 31 December 2006. Their audit report was unqualified and did not contain a statement under 237(2) or (3) of the Act.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial information of EpiStem Limited.

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005).

Turnover

The turnover shown in the profit and loss account represents amount invoiced during the year, exclusive of Value Added Tax.

Revenue recognition

The company generally invoices and reports as sales, 50% of the value of a new contract on signature. This policy is designed to recognise that, in negotiating contracts for new studies, the company performs specific pre-contract work to establish the parameters of the study work. When the final report is issued to the client the remainder of the contract is invoiced and recognised as income, at that date.

Research and development

Research and development expenditure is written off in the period in which it is incurred.

Intangible fixed assets

The intangible fixed asset shown in the balance sheet represents intellectual property capitalised at cost.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Intellectual property - 5 per cent. straight line

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Plant & Machinery	–	25 per cent. reducing balance
Fixtures & Fittings	–	25 per cent. reducing balance
Equipment	–	25 per cent. reducing balance

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Financial instruments

Trade and other debtors

Trade and other debtors are recognised and carried forward at invoice amounts less provisions for any doubtful debts. Bad debts are written off when identified.

Cash and cash equivalents

Cash and cash equivalents are included in the balance sheet at cost. Cash and cash equivalents comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are recognised initially at cost, which is the fair value of the consideration received, net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest method. Gains or losses are recognised in the profit and loss account when liabilities are derecognised or impaired, as well as through the amortised process.

2. Turnover

Overseas turnover amounted to 57.79 per cent. (2006: 38.36 per cent.; 2005: 44.28 per cent.; 2004: 52.66 per cent.) of the total turnover for the period.

3. Operating (loss)/profit

Operating (loss)/profit is stated after charging:

	<i>Year Ended</i> <i>30 Jun 2004</i>	<i>Year Ended</i> <i>30 Jun 2005</i>	<i>Year Ended</i> <i>30 Jun 2006</i>	<i>Period Ended</i> <i>31 Dec 2006</i>
	£	£	£	£
Amortisation	2,898	3,864	3,864	1,932
Research and development expenditure written off	311,097	341,940	681,756	461,972
Depreciation of owned fixed assets	26,055	19,191	30,965	19,137
Depreciation of assets held under hire purchase agreements	11,745	8,809	38,806	32,563
Auditor's fees	1,500	1,500	2,000	2,000
Operating lease costs – property rent	103,627	147,600	187,600	106,800
	<u>103,627</u>	<u>147,600</u>	<u>187,600</u>	<u>106,800</u>

4. Interest payable and similar charges

	<i>Year Ended</i> <i>30 Jun 2004</i>	<i>Year Ended</i> <i>30 Jun 2005</i>	<i>Year Ended</i> <i>30 Jun 2006</i>	<i>Period Ended</i> <i>31 Dec 2006</i>
	£	£	£	£
Finance charges	3,000	3,000	5,440	9,230
Other interest and similar charges	–	36	203	174
	<u>3,000</u>	<u>3,036</u>	<u>5,643</u>	<u>9,404</u>

5. Taxation on ordinary activities

(a) Analysis of charge in the period

	<i>Year Ended</i> <i>30 Jun 2004</i>	<i>Year Ended</i> <i>30 Jun 2005</i>	<i>Year Ended</i> <i>30 Jun 2006</i>	<i>Period Ended</i> <i>31 Dec 2006</i>
	£	£	£	£
Current tax:				
UK Corporation tax based on the results for the period at 19% (2006: 19%;2005: 19%; 2004: 19%)	(56,832)	(8,011)	(130,527)	(100,173)
Over provision in prior period	24,126	–	–	–
Total current tax	<u>(32,706)</u>	<u>(8,011)</u>	<u>(130,527)</u>	<u>(100,173)</u>

5. Taxation on ordinary activities (continued)

(b) Factors affecting current tax charge

The tax assessed on the (loss)/profit on ordinary activities for the period differs from the standard rate of corporation tax in the UK of 19 per cent. (2006: 19 per cent.; 2005: 19 per cent.; 2004: 19 per cent.).

The differences are explained below

	<i>Year Ended</i> 30 Jun 2004	<i>Year Ended</i> 30 Jun 2005	<i>Year Ended</i> 30 Jun 2006	<i>Period Ended</i> 31 Dec 2006
	£	£	£	£
(Loss)/profit on ordinary activities before taxation	<u>(250,495)</u>	<u>48,656</u>	<u>(755,998)</u>	<u>(481,529)</u>
(Loss)/profit on ordinary activities by rate of tax	(47,595)	9,245	(143,640)	(91,491)
Capital allowances claimed in excess of depreciation charges	2,947	724	(10,082)	(5,161)
Expenditure not allowable for tax purposes	–	7	–	–
Adjustments in respect of research and development tax credits	(12,184)	(17,987)	(27,193)	(20,801)
Tax loss for the period carried forward	–	–	50,388	17,280
Overprovision in prior period	<u>24,126</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total current tax (note 5(a))	<u>(32,706)</u>	<u>(8,011)</u>	<u>(130,527)</u>	<u>(100,173)</u>

6. Intangible fixed assets

	<i>Intellectual property</i> £
Cost	
At 1 July 2004, 2005, 2006 and 31 December 2006	<u>77,175</u>
Amortisation	
At 1 July 2003	3,859
Charge for 2004	<u>2,898</u>
At 30 June 2004	6,757
Charge for 2005	<u>3,864</u>
At 30 June 2005	10,621
Charge for 2006	<u>3,864</u>
At 30 June 2006	14,485
Charge for period to 31 December 2006	<u>1,932</u>
At 31 December 2006	<u>16,417</u>
Net Book Value	
At 30 June 2004	<u>70,418</u>
At 30 June 2005	<u>66,554</u>
At 30 June 2006	<u>62,690</u>
At 31 December 2006	<u>60,758</u>

7. Tangible fixed assets

	<i>Lab Equipment</i> £	<i>Fixtures & Fittings</i> £	<i>Equipment</i> £	<i>Total</i> £
Cost				
At 1 July 2003	174,859	3,325	19,190	197,374
Additions	6,025	2,264	1,087	9,376
At 30 June 2004	180,884	5,589	20,277	206,750
Additions	11,755	2,920	7,768	22,443
At 30 June 2005	192,639	8,509	28,045	229,193
Additions	261,639	–	16,532	278,171
At 30 June 2006	454,278	8,509	44,577	507,364
Additions	127,623	7,009	738	135,370
At 31 December 2006	581,901	15,518	45,315	642,734
Depreciation				
At 1 July 2003	69,876	1,527	8,083	79,486
Charge for the year	32,400	600	4,800	37,800
At 30 June 2004	102,276	2,127	12,883	117,286
Charge for the year	22,600	600	4,800	28,000
At 30 June 2005	124,876	2,727	17,683	145,286
Charge for the year	62,671	1,500	5,600	69,771
At 30 June 2006	187,547	4,227	23,283	215,057
Charge for the period	47,800	900	3,000	51,700
At 31 December 2006	235,347	5,127	26,283	266,757
Net Book Value				
At 30 June 2004	78,608	3,462	7,394	89,464
At 30 June 2005	67,763	5,782	10,362	83,907
At 30 June 2006	266,731	4,282	21,294	292,307
At 31 December 2006	346,554	10,391	19,032	375,977

Hire purchase agreements

Included within the net book value at 31 December 2006 is £286,940 (30 June 2006 - £201,503; 30 June 2005 - £26,426; 30 June 2004 - £35,234) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the period in respect of such assets amounted to £32,563 (2006 - £38,806; 2005 - £8,809; 2004 - £11,745).

Capital commitments

	<i>30 Jun 2004</i> £	<i>30 Jun 2005</i> £	<i>30 Jun 2006</i> £	<i>31 Dec 2006</i> £
Contracted but not provided for in the financial statements	–	100,532	118,000	–

8. Debtors

	30 Jun 2004	30 Jun 2005	30 Jun 2006	31 Dec 2006
	£	£	£	£
Trade debtors	163,236	312,769	205,638	283,369
Corporation tax recoverable	56,831	8,011	130,527	230,700
VAT recoverable	–	10,128	57,973	35,463
Other debtors	4,154	7,338	59,752	14,021
	<u>224,221</u>	<u>338,246</u>	<u>453,890</u>	<u>563,553</u>

9. Creditors: amounts falling due within one year

	30 Jun 2004	30 Jun 2005	30 Jun 2006	31 Dec 2006
	£	£	£	£
Bank loans and overdrafts	–	–	5,089	–
Trade creditors	120,549	124,446	133,732	270,002
Other taxation and social security	15,731	18,754	27,777	26,856
Hire purchase agreements	16,573	3,142	62,497	94,470
Other creditors	219,953	225,906	52,529	59,248
	<u>372,806</u>	<u>372,248</u>	<u>281,624</u>	<u>450,576</u>

10. Creditors: amounts falling due after more than one year

	30 Jun 2004	30 Jun 2005	30 Jun 2006	31 Dec 2006
	£	£	£	£
Hire purchase agreements	<u>2,154</u>	<u>–</u>	<u>113,205</u>	<u>164,464</u>

11. Commitments under hire purchase agreements

Future commitments under hire purchase agreements are as follows:

	30 Jun 2004	30 Jun 2005	30 Jun 2006	31 Dec 2006
	£	£	£	£
Amounts payable within 1 year	20,482	3,544	71,297	99,617
Amounts payable between 1 to 2 years	3,544	–	–	–
Amounts payable between 2 to 5 years	–	–	127,817	197,194
	<u>24,026</u>	<u>3,544</u>	<u>199,114</u>	<u>296,811</u>
Less interest and finance charges relating to future periods	<u>(5,299)</u>	<u>(402)</u>	<u>(23,412)</u>	<u>(37,877)</u>
	<u>18,727</u>	<u>3,142</u>	<u>175,702</u>	<u>258,934</u>
Hire purchase agreements are analysed as follows:				
Current obligations	16,573	3,142	62,497	94,470
Non-current obligations	2,154	–	113,205	164,464
	<u>18,727</u>	<u>3,142</u>	<u>175,702</u>	<u>258,934</u>

The liabilities under the hire purchase agreements are secured on the assets to which they relate.

12. Commitments under operating leases

The company had annual commitments under non-cancellable operating leases as set out below:

	<i>Land & Buildings</i>			
	<i>30 Jun 2004</i>	<i>30 Jun 2005</i>	<i>30 Jun 2006</i>	<i>31 Dec 2006</i>
	£	£	£	£
Operating leases which expire:				
Within 1 year	<u>72,254</u>	<u>72,254</u>	<u>50,127</u>	<u>53,527</u>

13. Related party transactions

During the 6 month period ended 31 December the company purchased consultancy services from directors as follows – Prof C Potten - £39,984 (2006, 2005, 2004: £Nil), Mr D Evans - £15,000 (30 June 2006, 30 June 2005, 30 June 2004: £Nil) and Dr R Nolan - £4,200 (2006, 2005, 2004: £Nil). These were on a normal trading basis and are included within non executive directors' fees. In addition the company has paid consultancy services totalling £6,000 (2006, 2005, 2004: £Nil) to Kerry Riddell Consultants Limited, a company in which Mr R A Onyett is also a director and shareholder.

During the period the company purchased services to the value of £Nil (2006: £Nil; 2005: £7,000; 2004: £12,000) from Castlegate Consultancy Services Limited, a company in which Prof. C Potten has a material interest. All the transactions were on a normal trading basis and are included within Non executive directors' fees.

During the period the company has made a provision of £Nil (2006: £Nil; 2005: £12,000; 2004: £12,000) for accountancy services payable to Northern Venture Management Limited, a company in which Mr H J Rylands is also a director and shareholder. Other creditors at 31 December 2006 includes a total of £Nil owed in respect of these services (2006: £Nil; 2005: £18,000; 2004: £22,000).

14. Share capital

Authorised share capital:

	<i>30 Jun 2004</i>	<i>30 Jun 2005</i>	<i>30 Jun 2006</i>	<i>31 Dec 2006</i>
	£	£	£	£
99,657 Ordinary A shares of £0.01 each	997	–	–	–
343 Ordinary B shares of £0.01 each	3	–	–	–
20,000,000 Ordinary shares of £0.00005 each	–	1,000	1,000	1,000
	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

Allotted, called up and fully paid:

	<i>30 Jun 2004</i>		<i>30 Jun 2005</i>		<i>30 Jun 2006</i>		<i>31 Dec 2006</i>	
	<i>No</i>	£	<i>No</i>	£	<i>No</i>	£	<i>No</i>	£
Ordinary A shares of £0.01 each	14,528	146	–	–	–	–	–	–
Ordinary B shares of £0.01 each	343	3	–	–	–	–	–	–
Ordinary shares of £0.00005 each	–	–	3,971,094	199	4,045,628	202	4,045,628	202
Equity shares	<u>14,871</u>	<u>149</u>	<u>3,971,094</u>	<u>199</u>	<u>4,045,628</u>	<u>202</u>	<u>4,045,628</u>	<u>202</u>

On 18 March 2005 the ordinary 'A' and the ordinary 'B' shares of one pence each were redesignated as ordinary shares of one pence each having rights attached thereto in the Articles of Association of the company.

On 18 March 2005 the members voted at a general meeting that each existing issued ordinary share and each of the existing un-issued shares of one pence each be subdivided into 200 ordinary shares of 0.005 pence each.

14. Share capital (continued)

On 8 June 2005 there was a private placing of 996,894 ordinary shares which were issued at £1.61 each, thereby increasing the issued share capital and share premium by £50 and £1,604,949 respectively.

On 21 September 2005 there was a private placing of 74,534 ordinary shares which were issued at £1.61 each, thereby increasing the issued share capital and share premium account by £3 and £119,996 respectively.

On 18 March 2005 the company issued warrants giving places the right to subscribe for up to 198,554 ordinary shares at a subscription price of £1.61 per share. The subscription should take place before 18 March 2015 but none of these warrants have been exercised to date.

Options have been granted under the following Enterprise Management Incentive (EMI) schemes to subscribe for ordinary shares in the company as follows:

<i>Scheme</i>	<i>Brought Forward</i>	<i>Lapsed</i>	<i>Issued this period</i>	<i>Carried forward</i>	<i>Price per share</i>	<i>Exercise period</i>
EMI plan	88,800	–	–	88,800	50p	07.01.02 – 06.01.12
EMI plan	13,600	–	–	13,600	75p	31.03.03 – 30.03.13
EMI plan	10,600	–	–	10,600	75p	07.04.03 – 06.04.13
EMI plan	12,200	–	–	12,200	75p	21.07.04 – 20.07.14
EMI Plan	78,000	–	–	78,000	£1.29	31.03.05 – 30.03.15
EMI Plan	33,824	–	–	33,824	£1.20	25.11.05 – 24.11.15
EMI Plan	669,875	–	–	669,875	£1.20	10.01.06 – 09.01.16
EMI Plan	–	–	11,100	11,100	£1.20	29.09.06 – 28.09.16
	<u>906,899</u>	<u>–</u>	<u>11,100</u>	<u>917,999</u>		

15. Share premium account

	<i>30 Jun 2004</i>	<i>30 Jun 2005</i>	<i>30 Jun 2006</i>	<i>31 Dec 2006</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Balance brought forward	966,928	966,928	2,445,207	2,531,968
Premium on shares issued in the period	–	1,604,949	119,996	–
Costs on the issue of new shares	–	(126,670)	(33,235)	–
Balance carried forward	<u>966,928</u>	<u>2,445,207</u>	<u>2,531,968</u>	<u>2,531,968</u>

16. Reconciliation of movements in shareholders' funds

	<i>30 Jun 2004</i>	<i>30 Jun 2005</i>	<i>30 Jun 2006</i>	<i>31 Dec 2006</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
(Loss)/Profit for the financial period	(217,789)	56,667	(625,471)	(381,356)
New equity share capital subscribed	–	50	3	–
Premium on new share capital subscribed	–	1,478,279	86,761	–
	<u>(217,789)</u>	<u>1,534,996</u>	<u>(538,707)</u>	<u>(381,356)</u>
Opening shareholders' funds	316,518	98,729	1,633,725	1,095,018
Closing shareholders' funds	<u>98,729</u>	<u>1,633,725</u>	<u>1,095,018</u>	<u>713,662</u>

17. Reconciliation of net cash flow to movement in net funds

	<i>Year ended</i> <i>30 Jun 2004</i>	<i>Year ended</i> <i>30 Jun 2005</i>	<i>Year ended</i> <i>30 Jun 2006</i>	<i>Period ended</i> <i>30 Dec 2006</i>
	£	£	£	£
Increase/decrease in cash in the period	19,792	1,427,680	(841,395)	(347,457)
Cash inflow/(outflow) from change in debt	17,483	15,585	(172,560)	(83,232)
Change in net debt resulting from cash flows	37,275	1,443,265	(1,013,955)	(430,689)
Net funds at beginning of period	33,584	70,859	1,514,124	500,169
Net funds at at end of period	<u>70,859</u>	<u>1,514,124</u>	<u>500,169</u>	<u>69,480</u>

18. Analysis of changes in net funds

	<i>30</i>			<i>30</i>			<i>30</i>			<i>30</i>			<i>31</i>
	<i>June</i>	<i>non</i>	<i>cash</i>	<i>June</i>	<i>non</i>	<i>cash</i>	<i>June</i>	<i>non</i>	<i>cash</i>	<i>June</i>	<i>non</i>	<i>cash</i>	<i>December</i>
	<i>2003</i>	<i>cash</i>	<i>flows</i>	<i>2004</i>	<i>cash</i>	<i>flows</i>	<i>2005</i>	<i>cash</i>	<i>flows</i>	<i>2006</i>	<i>cash</i>	<i>flows</i>	<i>2006</i>
	£	£	£	£	£	£	£	£	£	£	£	£	£
Cash at bank and in hand	69,794	-	19,792	89,586	-	1,427,680	1,517,266	-	(836,306)	680,960	-	(352,546)	328,414
Bank overdraft	-	-	-	-	-	-	-	-	(5,089)	(5,089)	-	5,089	-
	<u>69,794</u>	<u>-</u>	<u>19,792</u>	<u>89,586</u>	<u>-</u>	<u>1,427,680</u>	<u>1,517,266</u>	<u>-</u>	<u>(841,395)</u>	<u>675,871</u>	<u>-</u>	<u>(347,457)</u>	<u>328,414</u>
Hire purchase contracts	(36,209)	-	17,482	(18,727)	-	15,585	(3,142)	-	(172,560)	(175,702)	-	(83,232)	(258,934)
Net funds	<u>33,585</u>	<u>-</u>	<u>37,274</u>	<u>70,859</u>	<u>-</u>	<u>1,443,265</u>	<u>1,514,124</u>	<u>-</u>	<u>(1,013,955)</u>	<u>500,169</u>	<u>-</u>	<u>(430,689)</u>	<u>69,480</u>

PART IV

ADDITIONAL INFORMATION

1 The Company

- 1.1 EpiStem Holdings Plc was incorporated in England and Wales on 15 February 2007 as a public company limited by shares under the Act (registered number 06108621). The Company was issued with a certificate to commence business and to borrow pursuant to Section 117 of the Act on 28 March 2007.
- 1.2 The Company is a public limited company and accordingly, the liability of its members is limited.
- 1.3 The principle legislation under which the Company operates is the Companies Act 1985 (as amended) and the Regulations made thereunder.
- 1.4 The registered office and principle place of business of the Company is at The Incubator Building, Grafton Street, Manchester M3 9XX, telephone number 0161 606 7258.
- 1.5 The business of the Company and its principal activity is to act as a holding company. The Group's activities and operations will be carried on by EpiStem Limited, a wholly owned subsidiary of the Company.
- 1.6 The International Security Identification number of the Ordinary Shares is GB00B1VKB244.

2 Share Capital

- 2.1 The authorised and issued share capital of the Company at the date of this document and as it is expected to be immediately following Third Admission is as follows:

	<i>At Present</i>		<i>Immediately following Third Admission</i>	
	<i>No of Shares</i>	<i>Nominal Value £</i>	<i>No of Shares(*)</i>	<i>Nominal Value £</i>
<i>Ordinary Shares</i>				
Authorised	5,162,181	77,432.715	10,000,000	150,000
Issued and fully paid	4,045,628	60,684.42	6,538,077	98,071.155

(*) Assumes (i) no exercise of options (ii) First, Second and Third Admission become effective and (iii) satisfaction of the conditions precedent and allotment and issue of Pre-flotation Fundraising Shares.

- 2.2 The Ordinary Shares shall have the rights and be subject to the restrictions referred to in paragraph 4 of this Part IV.
- 2.3 The Ordinary Shares to be issued under the Placing will, on admission rank *pari passu* in all respects with the existing Ordinary Shares including the right to receive all dividends and other distributions declared, made or paid after the date of this document.
- 2.4 The Ordinary Shares to be issued in respect of the Pre-flotation Fundraising will, on Admission, rank *pari passu* in all respects with the existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after the date of this document.
- 2.5 The Board has, prior to Admission granted options as set out in paragraphs 6 & 8 of this Part IV. On Admission there will be options in issue over 1,176,296 Ordinary Shares representing approximately 17.99 per cent. of the total number of Ordinary Shares in issue. The total number of Ordinary Shares under option shall not at any time exceed 25 per cent. of the issued share capital of the Company.
- 2.6 On 28 March 2007, the Company allotted, conditional on Admission, an aggregate of 1,604,176 new Ordinary Shares pursuant to the Pre-flotation Fundraising at the Placing Price as set out in paragraph 12.3 of this Part IV.

- 2.7 Save as set out above and in paragraphs 6, 8 and 17.1 of this Part IV at Admission, the Company will not have any Ordinary Shares in issue or under option save for the Ordinary Shares to be subscribed pursuant to the Placing. In addition the Company will not have in issue any securities not representing share capital or any outstanding convertible securities.
- 2.8 Save as disclosed in this Part IV:
- 2.8.1 no share or loan capital of the Company has been issued or is now proposed to be issued, fully or partly paid, either for cash or for a consideration other than cash;
- 2.8.2 no share or loan capital of the Company or its subsidiary is under option or is agreed conditionally or unconditionally to be put under option;
- 2.8.3 no commission, discount, brokerage or any other special term has been granted by the Company or its subsidiary or is now proposed in connection with the issue or sale of any part of the share or loan capital of the Company or its subsidiary;
- 2.8.4 no fee and no founder, management or deferred shares have been issued by the Company; and
- 2.8.5 there has been no change in the amount of the issued share capital of the Company and no material change in the amount of issued share capital of its subsidiary.
- 2.9 The following changes have occurred in the share capital of the Company since 15 February 2007, the date of its incorporation:
- 2.9.1 By ordinary and special resolutions, as appropriate, passed at an Extraordinary General Meeting of the Company convened at short notice on 16 March 2007:
- (a) the authorised share capital was increased from £60,684.42 divided into 4,045,628 Ordinary Shares of £0.015 each to £77,432.715 by the creation of an additional 1,116,553 Ordinary Shares of £0.015 each;
- (b) the Directors were generally and unconditionally authorised for the purposes of Section 80(1) of the Act to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 80(2) of the Act) up to an aggregate nominal amount of £77,432.685, such authority to expire on the date falling 15 months after the date of incorporation of the Company or, if earlier, at the conclusion of the Company's annual general meeting to be held in 2008; save that the Directors may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority had not expired;
- (c) the Directors were empowered until the date falling 15 months after the date of incorporation of the Company (or if sooner, until the conclusion of the Company's annual general meeting in 2008) to allot equity securities (as defined in Section 94(2) of the Act) pursuant to the authority referred to in paragraph 2.9.1(b) above as if Section 89 of that Act did not apply to any such allotment (save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority had not expired), such power being limited to:
- (i) the allotment and issue of 4,045,626 Ordinary Shares of £0.015 each pursuant to the Acquisition Agreement;
- (ii) the allotment and issue of 917,999 Ordinary Shares of £0.015 each pursuant to any employee share option scheme or arrangement;

- (iii) the allotment and issue of up to 198,554 Ordinary Shares of £0.015 each in respect of the exercise of subscription rights of warrants in terms of the Warrant Instrument.

2.9.2 On 16 March 2007 the Company acquired the whole of the issued ordinary share capital of EpiStem Limited in consideration for the issue of 4,045,626 Ordinary Shares of £0.015 each in the capital of the Company.

2.9.3 By ordinary and special resolutions, as appropriate, passed on 28 March 2007, conditional upon First Admission the Shareholders passed the following resolutions:

- (a) the authorised share capital was increased by £72,567.285 from £77,432.715 to £150,000 by the creation of an additional 4,837,819 Ordinary Shares of £0.015 each;
- (b) the Directors were generally and unconditionally authorised (in substitution to all previous authorities), for the purposes of Section 80(1) of the Act to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80(2) of the Act):
 - (i) up to an aggregate nominal amount of £24,062.64 in connection with the issue of new Ordinary Shares to any of the Pre-flotation Investors, at the Placing Price;
 - (ii) up to an aggregate nominal amount of £12,114.42 in connection with the issue of new Ordinary Shares in connection with the Placing;
 - (iii) up to an aggregate nominal amount of £1,209.675 in connection with the allotment of Ordinary Shares to David Evans;
 - (iv) up to an aggregate nominal amount of £10,747.815 in connection with the allotment and issue of Ordinary Shares pursuant to any employee share option scheme or arrangement or individual options granted to any employee or director;
 - (v) up to an aggregate nominal amount of up to a maximum of 15 per cent. of the issued share capital of the Company immediately following Admission.

provided that the authority shall expire unless sooner revoked or varied by the Company on the date falling 15 months from the date of passing this resolution or, if earlier, at the conclusion of the annual general meeting of the Company in 2008, save that the Directors may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority had not expired;

- (c) the Directors were (in substitution of all previous authorities), general empowered pursuant to Section 95 of the Act, to allot equity securities (within the meaning of Section 94(2) of the Act) pursuant to the general authority conferred on them by paragraph 2.10.3(e) above as if Section 89 of the Act did not apply to any such allotment provided that such power be limited to:
 - (i) the allotment of equity securities having a nominal amount of up to £24,062.64 in connection with the issue of new Ordinary Shares to any of the Pre-flotation Investors at the Placing Price;
 - (ii) the allotment of equity securities having a nominal amount of up to £12,114.42 on connection with the issue of new Ordinary Shares in connection with the Placing;
 - (iii) up to an aggregate nominal amount of £1,209.675 in connection with the allotment of Ordinary Shares to David Evans;

- (iv) up to an aggregate nominal amount of £10,747.815 in connection with the allotment and issue of Ordinary Shares pursuant to any employee share option scheme or arrangement or individual options granted to any employee or director;
- (v) the allotment of equity securities in connection with an issue in favour of holders of Ordinary Shares (whether by way or rights issue, open offers or otherwise) where the equity securities respectively attributable to the interests of such holders of Ordinary Shares on a fixed record date are proportionate (as nearly as may be) to the respective number of shares held by them (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with legal or practical problems under the laws of any territory, or the requirements of any recognised regulatory body or any stock exchange in any territory or in relation to fractional entitlements);
- (vi) the allotment (otherwise than pursuant to paragraphs (i), (ii), (iii) and (iv) (inclusive) of equity securities having a nominal value of up to 10 per cent. of the issued share capital of the Company immediately following Admission.

provided that such authority shall expire 15 months from the date of passing this resolution or, if earlier, at the conclusion of the annual general meeting of the Company in 2008 unless sooner revoked or varied by the Company, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if this authority had not expired;

- (d) new articles of associated were adopted.

- 2.10 The Ordinary Shares are in registered form and capable of being held in uncertificated form. Application has been made to CRESTCo for the Ordinary Shares to be enabled for dealing through CREST as a participating security. No temporary documents of title will be issued. It is expected that definitive share certificates will be posted to those Shareholders who have requested the issue of Ordinary Shares in certificated form by 25 April 2007.
- 2.11 The Company does not have in issue any securities not representing share capital.
- 2.12 There are no shares held by or on behalf of the Company in itself or by any other member of the Group in the Company.
- 2.13 Save as set out in this document the Company has not issued any convertible securities, exchangeable securities or securities with warrants.
- 2.14 Save as disclosed in this document, no person has any acquisition right over, and the Company has incurred no obligation over, the Company's authorised but unissued share capital or given any undertaking to increase the Company's capital.

3 Subsidiaries

- 3.1 The Company has the following subsidiary undertaking and associated companies:

<i>Name</i>	<i>Registered No.</i>	<i>Status</i>	<i>Country of incorporation</i>	<i>Interest held by the Company</i>
EpiStem Limited	03901952	Active	England and Wales	100%

- 3.2 Save as referred to in paragraph 3.1 above, the Company does not hold any shares or other securities in the capital of any company and is not otherwise part of a group of companies.

4 Summary of the Memorandum and Articles of Association

4.1 Memorandum of Association

The Memorandum of Association of the Company provides that the principal object of the Company are, *inter alia*, to carry on business as, amongst other things, a holding company. The objects of the Company are set out in full in Clause 4 of the Memorandum of Association.

4.2 Articles of Association

The Articles contain *inter alia*, provisions to the following effect;

4.2.1 Rights attaching to Ordinary Shares

4.2.1.1 Voting

Subject to any rights or restrictions attached to any shares, on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative, not being himself a member entitled to vote, shall have one vote, and on a poll every member shall have one vote for every share of which he is the holder.

In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and for this purpose seniority shall be determined by the order in which the names of the holders stand in the Register in respect of the joint holding.

A member in respect of whom an order has been made by any court having jurisdiction (whether in the United Kingdom or elsewhere) in matters concerning mental disorder may vote, whether on a show of hand or on a poll, and otherwise exercise all his rights as a member by his receiver or other person authorised in that behalf appointed by that court, and any such receiver or other person may, on a poll, vote by proxy. Evidence to the satisfaction of the Board of the authority of the person claiming to exercise the right to vote or act shall be deposited at the Office, or at such other place as is specified in accordance with these Articles for the deposit of instruments of proxy, not less than forty-eight hours before the time appointed for holding the meeting or adjourned meeting at which the right to vote is to be exercised or, in the case of a poll, at least forty-eight hours before the time appointed for the taking of the poll and in default the right to vote shall not be exercisable.

Unless the Board otherwise determines, no member shall attend or vote at any general meeting or at any separate meeting of the holders of any class of shares in the Company or upon a poll, either in person or by proxy, in respect of any share held by him or exercise any other right or privilege conferred by membership in relation to any such meeting or poll unless all monies presently payable by him in respect of that share have been paid.

No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting or poll at which the vote objected to is tendered, and every vote not disallowed at the meeting or poll shall be valid. Any objection made in due time shall be referred to the chairman of the meeting whose decision shall be final and conclusive.

4.2.1.2 Dividends

Subject to the provisions of the Act and of the Articles and to any special rights attaching to any Ordinary Shares, the Company may, by ordinary resolution, declare dividends, provided that no such dividends shall exceed the amount recommended by the Directors. All dividends shall be apportioned and paid *pro rata* according to the amounts paid up or credited as paid up (otherwise than in advance of calls) on the

Ordinary Shares during any portion or portions of the period of which the dividend is paid. Interim dividends may be paid in accordance with the Act. No dividends in respect of an Ordinary Share shall bear interest. All dividends unclaimed for a period of twelve years after having been declared shall be forfeited and shall revert to the Company. No member is entitled to a dividend if the member fails to respond to the notice requiring him to state whether a share is held on behalf of another person.

4.2.1.3 Return of capital

On a return of assets on a winding up or otherwise of the Company, the balance of the assets of the Company available for distribution shall be divided amongst the members in proportion to the number of shares held by them respectively after deducting in respect of any Ordinary Share not fully paid up the amount that remains unpaid on it (whether or not then payable). If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by law, divide amongst the members *in specie* the whole or any part of the assets of the Company and may for that purpose, value any assets and determine how the division shall be carried out.

4.2.1.4 Redemption

Subject to the provisions of the Act and the Articles, the Company can issue shares which are required to be redeemed and shares which may be redeemed at the option of the Company or the relevant member.

4.2.2 *Transfer of Ordinary Shares*

Subject to the Articles, any member may transfer all or any of his certified shares by a written instrument of transfer in the usual form or any other manner which the Board may approve (whether or not by written instrument). Any written transfer shall be signed by or on behalf of the transferor and (if the share is partly paid) the transferee. The transferor will be deemed to remain the holder of the share until the name of the transferee is entered in the register in respect of the transferred share.

A member may transfer all or any of his shares which is uncertificated form by means of a relevant system.

Subject to the Articles and the requirements of the London Stock Exchange, the Directors may, without giving any reason, refuse to register any transfer of an Ordinary Share or the renunciation of allotment of a shares unless it is:

- (a) in respect of a share which is fully paid up;
- (b) in respect of a share on which the Company has no lien;
- (c) in respect of only one class of shares;
- (d) in favour of a single transferee or renounee or not more than four joint transferees or renounees;
- (e) the instrument or transfer is duly stamped (if required); and
- (f) in the case of a certificated share, it is delivered for registration to the Company's registered office accompanied by the certificate of the shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor or person renouncing to make the transfer or renunciation.

The Board may refuse to register the transfer of uncertificated shares in such other circumstances as may be permitted or required by the rules of a relevant system and/or the rules of CRESTCo Limited.

If the Directors refuse to register a transfer, they must, within two months of the date on which the transfer was lodged with the Company, send notice of the refusal to the transferee.

Subject to the Act and the requirements of the London Stock Exchange, the registration of transfers may be suspended by the Directors for any period (not exceeding 30 days) in any year upon notice being given. The Company may not charge fees for registering a share transfer or making any other amendment to the register.

4.2.3 *Changes in capital*

The Company may:

- (a) by ordinary resolution increase its share capital by such sum to be divided into shares of such amounts as the resolution may prescribe;
- (b) by ordinary resolution consolidate and/or divide all or any of its share capital into shares of a larger or smaller nominal amount;
- (c) by ordinary resolution and subject to the Act and the Articles, sub-divide all or any of its shares and determine that different rights shall attach to the shares resulting from sub-division;
- (d) cancel any shares not taken up by anyone at the date of the resolution and reduce the share capital accordingly; and
- (e) subject to the Act, by special resolution reduce its share capital, any capital redemption reserve and any share premium account.

4.2.4 *Variation of rights*

Subject to the provisions of the Act and of the Articles, the special rights attached to any class of share in the Company may be varied or abrogated:

- (a) in such manner (if any) as may be provided by such rights; or
- (b) in the absence of any such provisions either with the consent in writing of the holders of not less than three quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class (but not otherwise).

The quorum for such separate general meeting of the holders of the shares of the class shall be not less than two persons each being a member or a proxy for such a member, or the duly authorised representative of a corporate member so entitled owning at least one-third in nominal value of the shares of the relevant class.

4.2.5 *Directors*

4.2.5.1 *Interests in contracts*

A Director who is interested in a contract or arrangement or proposed contract or proposed arrangement with the Company shall declare the nature of his interest at a board meeting at which the entering into of the contract or arrangement is first taken into consideration or, if different, the first board meeting after he knows that he is or has become so interested.

A Director shall not vote or be counted in the quorum on any resolution of the board concerning his own appointment with the Company.

Except as provided below, a Director shall not vote (nor be counted in the quorum) on any resolution of the board or a committee of the board in respect of any contract, arrangement, transaction or proposal in which he and/or any person connected with

him has a material interest, and if he shall vote such vote, shall not be counted, but this prohibition shall not apply to any of the following matters:

- (a) the giving of a guarantee, security 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 subsidiaries;
- (b) the giving of any security, guarantee or indemnity in respect of any debt or obligation of the Company or any of its subsidiaries for which he has assumed responsibility in whole or part, under a guarantee or indemnity or by the giving of a security;
- (c) any contract or arrangement in which he is interested by virtue of his interests in securities of the Company or by reason of any other interest in or through the Company;
- (d) where the Company or any subsidiary is offering securities in which he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting in which he is to participate;
- (e) relating to another company in which he is (together with persons connected with him within the meaning of Part VI of the Act) not the holder of or beneficially interested in 1 per cent. or more of any of the issued equity share capital or of the voting rights in such company; or
- (f) any proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or for persons who include Directors.

Subject to the provisions of the Act, the Company may, by ordinary resolution, suspend or relax the above provision in relation to a particular transaction and ratify any transaction not duly authorised by reason of a contravention in this article.

4.2.5.2 Director's remuneration

The remuneration (excluding any bonus payments made or to be made under the terms of any performance bonus scheme operated by the Company from time to time) of the directors (other than any Executive Directors appointed under the Articles) shall be such amount as the Directors shall from time to time determine provided that, unless otherwise approved by the Company in general meeting, the aggregate of the remuneration of such Directors (which excludes any Executive Directors appointed under the Articles) shall not exceed £1,000,000 per year (excluding any bonus payments made or to be made under the terms of any performance bonus scheme operated by the Company from time to time). The remuneration shall be divided among such Directors in such manner as the Directors may determine. A Director holding office for part only of a year shall be entitled to a proportionate part of a full year's remuneration.

Any Director who, by request of the Board, performs special services or goes or resides abroad for any purpose of the Company may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the Company in general meeting may from time to time determine.

4.2.5.3 Retirement and removal

At each annual general meeting one third of the Directors for the time being (or if their number is not a multiple of 3, the number nearest to one-third) shall retire from office. A Director who retires at an annual general meeting shall be eligible for re-election. Any Director may be removed from office by ordinary resolution of the

Company of which special notice has been given in accordance with section 379 of the Act.

4.2.6 ***Borrowing powers***

The Board may exercise all the powers of the Company to borrow or raise money and to mortgage and charge its undertaking, property (present and future) assets and uncalled capital or any part thereof, and, subject to the Act, to create and issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or its holding company (if any) or any subsidiary undertaking or of any third party.

4.2.7 ***Pensions and Benefits***

The Directors may, subject to the provisions of the Act, exercise all powers of the Company to give or award pensions, annuities and other allowances or benefits to any person including any Director or former Director or the relations, connections or dependants of such person provided that no pension, annuity or other allowance or benefit shall be granted to a Director or former Director who has not held an executive appointment in the Group or any person claiming under such pension without the approval of an ordinary resolution of the Company.

4.2.8 ***Warrants or Options to subscribe for Ordinary Shares***

The Company may issue warrants or grant options to subscribe for Ordinary Shares on such terms and subject to such conditions as may be resolved by the Board.

4.2.9 ***General Meetings***

The Board may call general meetings and, on the requisition of members pursuant to the provision of the Act, shall forthwith convene an extraordinary general meeting.

An annual general meeting or an extraordinary general meeting called for the passing of a special resolution shall be called by at least twenty-one clear days' notice. All other extraordinary general meetings shall be called by at least fourteen clear days' notice. Subject to the provisions of the Articles of Association and to any restrictions imposed on any shares, every notice of meeting shall be given to all the members, all other persons who are at the date of the notice entitled to receive notices from the Company and to the directors and auditors.

Any member entitled to attend and vote may appoint one or more proxies to attend and, on a poll, vote instead of him and that a proxy need not be a member.

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business. The absence of a quorum shall not preclude the appointment of a chairman in accordance with the provision of the Articles of Association, which shall not be treated as part of the business of the meeting. The quorum for a general meeting is two members present in person or by proxy and entitled to vote on the business to be transacted at the meeting.

If such a quorum is not present within fifteen minutes (or such longer time not exceeding one hour as the chairman of the meeting may decide) from the time appointed for the meeting, the meeting, if convened on the requisition of or by members, shall be dissolved. In any other case it shall stand adjourned to the same place and time one week later, or to such day (not being more than twenty-eight days after the date appointed for the meeting) and to such time and place as the Board may determine. If the meeting is adjourned for 14 days or more, the Company shall give not less than five days' notice of the adjourned meeting by advertisement in one national newspaper, but no other notice shall be required. If at any such adjourned meeting a quorum is not present within fifteen minutes from the time appointed for the meeting any member present in person or by proxy and entitled to vote on the business to be transacted at the meeting shall be a quorum.

The chairman (if any) of the Board or in his absence the deputy chairman (if any) shall preside as chairman at every general meeting of the Company. If there is no such chairman or deputy chairman present and willing to act as chairman at any meeting within five minutes after the time appointed for holding the meeting the directors present shall choose one of their number to be chairman and, if there is only one director present and willing to act, he shall be chairman. If no director is willing to act as chairman, or if no director is present within five minutes after the time appointed for holding the meeting, the members present in person or by proxy and entitled to vote shall choose one of their number to be chairman of the meeting.

A director shall, notwithstanding that he is not a member, be entitled to attend and speak at any general meeting and at any separate meeting of the holders of any class of shares in the Company.

The chairman of a meeting at which a quorum is present may, with the consent of the meeting (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place. The Chairman may adjourn the meeting to another time and place without the consent of the meeting if he decides that it is likely to be impracticable to hold or continue the meeting, because the number of persons attending or wishing to attend cannot be conveniently accommodated in the place appointed for the meeting, or the unruly conduct of persons attending the meeting prevents or is likely to prevent the continuation of the business of the meeting. No business shall be transacted at any adjourned meeting other than business which might properly have been transacted at the meeting had the adjournment not taken place. When a meeting is adjourned for thirty days or more (otherwise than due to the absence of a quorum) or without a time and place for the adjourned meeting being fixed, at least seven clear days' notice of the adjourned meeting shall be given in the same manner as in the case of the original meeting. Otherwise it shall not be necessary to give any such notice.

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless before, or on the declaration of the result of, the show of hands, or on the withdrawal of any other demand for a poll, a poll is demanded by:

- (i) the chairman of the meeting; or
- (ii) at least three members present in person or by proxy having the right to vote at the meeting; or
- (iii) a member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting (excluding any voting rights attached to any shares in the Company held as treasury shares); or
- (iv) a member or members present in person or by proxy holding shares in the Company conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right (excluding any voting rights attached to any shares in the Company held as treasury shares); or
- (v) any member present in person or by proxy in the case of a resolution to confer, vary, revoke or renew authority or approval for an off-market purchase by the Company of its own shares,

and a demand by a person as proxy for a member shall be the same as a demand by the member.

In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the demand for the poll is made shall be entitled to a casting vote.

A resolution in writing executed by or approved in writing by on behalf of each member who would have been entitled to vote upon it if it had been proposed at a general meeting at which he was present shall be as effectual as if it had been passed at a general meeting duly convened

and held and may consist of several instruments in the like form each executed by or on behalf of one or more members.

In addition to any measures which the Board may be required to take due to the location or venue of the meeting, the Board may make any arrangement and impose any restriction it considers appropriate and reasonable in the circumstances to ensure the security of a meeting including, without limitation, the searching of any person attending the meeting and imposing restrictions on the items of personal property that may be taken into the meeting place. The Board may refuse entry to or eject from a meeting a person who refuses to comply with any such arrangements or restrictions.

4.2.10 *Disclosure of interests*

In accordance with section 793 of the Companies Act 2006, the Company may give notice to any person whom the Company knows or has reasonable cause to believe (a) to be interested in the Company's shares or (b) to have been so interested at any time in the three years immediately preceding the date on which the notice is issued. The notice may require the person (a) to confirm that fact or (as the case may be) to state whether or not it is the case and (b) if he holds, or has during that time held, any such interest, to give such further information as may be required in accordance with section 793 of the Companies Act 2006 (including particulars of the interest (present or past) and the identity of the persons interested in the shares in question).

In accordance with Article 13 of the Articles of Association, if the Company has served a disclosure notice on a person appearing to be interested in shares referred to in the disclosure notice, and the Company has not received the information required in the disclosure notice within fourteen days after service of the disclosure notice, the Board may determine that the member holding the specified shares shall be subject to restrictions in respect of those shares (including restrictions as to voting, right to transfer the shares and right to receive dividends).

4.2.11 *Ownership threshold and change of control*

The Articles do not prescribe any ownership threshold above which share ownership must be disclosed. There are no provisions in the Articles which would have the effect of delaying, deferring or preventing a change of control of the Company.

4.2.12 *Pre-emption rights*

The Articles do not prescribe any rights of pre-emption in relation to offers for subscription of securities of the same class.

4.2.13 *Conversion*

The Articles do not prescribe any rights of conversion in relation to any class of shares.

5 Directors

- 5.1 The Directors of the Company and their respective functions are set out in Part I of this document.
- 5.2 Details of any directorship that is or was in the last five years held by each of the Directors, and any partnership of which each of the Directors is or was in the last five years a member, in addition to their directorship of the Company, are set out below:

<i>Name</i>	<i>Current directorship and partnerships</i>	<i>Previous directorships and partnerships</i>
David Eric Evans	BBI Holdings plc Chromogenex plc DxS Ltd EpiStem Ltd Immunodiagnostic Systems Holdings plc Microtest Matrices Ltd Omega Diagnostics Group plc Platform Diagnostics Ltd Storyland Group plc Storyland Ltd Secure Design KK Vindon Healthcare plc	Acolyte Biomedica Ltd British Biocell International Ltd CY Realisations Ltd (in liquidation) Haptogen Ltd Nestech Ltd Physiomics plc Scottish Enterprise Tayside Ltd Electro Medical Ltd PDG2 Ltd Eurodiagnostica BV Immunodiagnostic Systems Ltd Omega Diagnostics Ltd
Dr Jeffrey Gould Moore	EpiStem Ltd	Phylogix, Inc
Matthew Heaton Walls	EpiStem Ltd ROI-Riyada Oxford Investments Ltd	Oxford BioSignals Ltd Internexus Ltd Zylepsis Ltd
Hugh John Joseph Rylands	Hickmade Properties Limited Northern Venture Management Limited EpiStem Ltd	LB Retail Limited M.M.C Limited
Professor Christopher Stanislaus Potten	Castlegate Consultancy Services Limited Edward Potten Library Consultancy Limited EpiStem Limited	
Dr Catherine Booth	EpiStem Limited	None
Robert Dwyer Nolan	Alderley Edge School for Girls Cardiff Protides Ltd Cardiff Biologicals Ltd f2g Limited Phico Therapeutics Ltd EpiStem Limited	Neutec Pharma plc Zimedical plc
Gerard Brady	EpiStem Limited	None

5.3 Mr Evans was a director of Cytocell Limited, a company which went into creditors' voluntary liquidation on 11 April 2003. The liquidator's statement of account dated 11 April 2003 showed a non-preferential creditor shortfall of £237,254.34 and advised that there would be sufficient funds to pay preferential creditors in full but that any funds available for unsecured creditors would be dependent on the receipt of deferred income. Mr Evans was not the subject of public criticism at the creditors meeting in connection with the liquidation.

Mr Evans was a director of Lineplan Limited, a company which went into creditors' voluntary liquidation on 18 May 2000. The liquidator's statement of account dated 14 May 2002 showed a non-preferential creditor shortfall of £30,582.00 and indicated that there were sufficient funds to pay preferential creditors in full. Mr Evans has not been the subject of public criticism by the liquidator in connection with the liquidation.

Mr. Rylands was a non-executive director of Micro Design Associates Limited, a company which went into receivership on 8 October 1990 with a deficit to creditors of £290,882. Mr. Rylands has not been the subject of public criticism by the liquidator in connection with the liquidation.

Mr. Rylands was a non-executive director of MMC Limited which entered into a creditors' voluntary arrangement in 2005 and continues to trade.

- 5.4 Save as disclosed in this document, at the date of this document none of the Directors named in this document:
- 5.4.1 has any unspent convictions in relation to indictable offences;
- 5.4.2 has been declared bankrupt or has entered into an individual voluntary arrangement;
- 5.4.3 was a director of any company at the time of or within the twelve months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors with which such company was concerned;
- 5.4.4 was a partner in a partnership at the time of or within the twelve months preceding a compulsory liquidation, administration or partnership voluntary arrangement of such partnership;
- 5.4.5 has had his assets the subject of any receivership or was a partner in a partnership at the time of or within the twelve months preceding any assets thereof being the subject of a receivership; or
- 5.4.6 has been the subject any public criticisms by any statutory or regulatory authority (including any recognised professional body) nor has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- 5.5 None of the Directors or members of their family has a financial product whose value in whole or in part is determined directly or indirectly by reference to the price of the Ordinary Shares.

6 Directors' and Other Interests

- 6.1 The interests of the Directors (including the interests of persons connected with them which would, if the connected person were a Director be required to be disclosed and the existence of which is known to, or could with reasonable diligence be ascertained by that Director within the meaning of section 346 of the Act) in the issued share capital of the Company which are required to be notified by each Director to the Company pursuant to sections 324 or 328 of the Act or are required to be entered in the register of Directors' interests maintained under the provisions of section 325 of the Act (all of which, save where stated otherwise in the notes below, are beneficial interests), as at the date of this document and will immediately following Admission be, as follows:

<i>Director</i>	<i>At the date of this document</i>		<i>Immediately after Third Admission</i>		<i>Number of Ordinary Shares under option</i>
	<i>No of Ordinary Shares</i>	<i>Percentage of issued share capital</i>	<i>No of Ordinary Shares</i>	<i>Percentage of issued share capital</i>	
Dr Catherine Booth	980,000	24.22%	980,000	14.99%	15,528
Dr Gerard Brady	–	–	–	–	120,224
David Evans	–	–	80,645	1.23%	62,112
Matthew Walls	–	–	5,645	0.086%	258,297
Robert Nolan	–	–	8,065	0.123%	93,528
John Rylands	177,800	4.39%	189,898	2.9%	211,180
Professor Chris Potten	1,020,000	25.21%	919,320	14.06%	15,528
Dr Jeffrey Moore	–	–	–	–	349,999

- 6.2 The following options over Ordinary Shares have been granted to certain of the Directors, such options being exercisable at the price and on the dates or occurrence of events shown below:

<i>Director</i>	<i>No of Ordinary Shares</i>	<i>Option Scheme</i>	<i>Date of Grant</i>	<i>Exercise price per Ordinary Share</i>	<i>Exercise Period</i>
David Evans	62,112	Unapproved Option under stand alone agreement	2005	£1.20	Exit only, includes Admission
Dr Jeffrey Moore	266,666	Unapproved Option under stand alone agreement	2005	£1.20	Exit only, includes Admission
	83,333	EMI under stand alone agreement	2005	£1.20	Exit only, includes Admission
John Rylands	127,847	Unapproved Option under stand alone agreement	2005	£1.20	Exit only, includes Admission
	83,333	EMI under stand alone agreement	2005	£1.20	Exit only, includes Admission
Dr Catherine Booth	15,528	EMI	2005	£1.20	Exit only, excludes Admission
Professor Chris Potten	15,528	EMI	2005	£1.20	Exit only, excludes Admission listing
Robert Nolan	78,000	Unapproved Option under stand alone agreement	2004	£1.29	Date of grant until 10th anniversary of date of grant
	15,528	Unapproved Option under stand alone agreement	2005	£1.20	Exit only, includes Admission
Matthew Heaton Walls	258,297	EMI Performance and Unapproved Performance under stand alone agreement	2007	£1.24	28.3.2007-28.3.2017

<i>Director</i>	<i>No of Ordinary Shares</i>	<i>Option Scheme</i>	<i>Date of Grant</i>	<i>Exercise price per Ordinary Share</i>	<i>Exercise Period</i>
Gerard Brady	88,800	EMI	2001/2002	£0.50	Exit only, excludes Admission*
	3,200	EMI	2002	£0.75	Exit only, excludes Admission*
	2,200	EMI	2003	£0.75	Exit only, excludes Admission*
	1,800	EMI	2004	£0.75	Exit only, excludes Admission*
	24,224	EMI	2005	£1.20	Exit only, excludes Admission*

* *The Board has exercised its discretion to allow these options to be exercisable following Admission.*

- 6.3 Save as disclosed above, none of the Directors nor any member of his immediate family or any person connected with him holds or is beneficially or non-beneficially interested, directly or indirectly in any shares or options to subscribe for, or securities convertible into, shares of the Company or any of its subsidiary undertakings.
- 6.4 In addition to the interests of the Directors set out in paragraphs 6.1 and 6.2 above, as at 30 March 2007 (being the latest practicable date prior to the publication of this document), insofar as is known to the Company, the following persons will as at the date of this document and immediately following Admission, be directly or indirectly interested (within the meaning of Part VI of the Act) in three per cent. or more of the issued share capital of the Company:

	<i>At the date of this document</i>		<i>Immediately after Third Admission</i>	
	<i>No of Ordinary Shares</i>	<i>Percentage of issued share capital</i>	<i>No of Ordinary Shares</i>	<i>Percentage of issued share capital</i>
Calculus Nominees Ltd	444,600	10.99%	444,600	6.80%
Giltspur Nominees Ltd*	177,018	4.38%	177,018	2.71%
Jonathan Moulton	155,280	3.84%	235,925	3.61%
Dr Caroline Cochrane	128,800	3.18%	128,800	1.97%
Dr John Cochrane	128,800	3.18%	128,800	1.97%
Rensburg Client Nominees Limited	155,280	3.84%	235,925	3.61%

* The holding by Giltspur Nominees Limited is in respect of five separate holdings as nominee only, only one of which holding is greater than 3 per cent. – N. McArthur for 124,225 shares equalling 3.07 per cent., which reduces to 2.52 per cent. following Third Admission and subscription for 40,323 Ordinary Shares.

Save as disclosed in this document, the Directors are not aware of any persons who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company. Neither the Directors nor any of the major Shareholders have different voting rights to other Shareholders.

- 6.5 In addition to the interests of the Directors set out in paragraphs 6.1 and 6.2 above and the interests of existing holders of three per cent. or more of the issued share capital of the Company set out in paragraph 6.4 above, as at 30 March 2007 (being the latest practicable date prior to publication of this document) in so far as is known to the Company, the following persons will, immediately following Third Admission and completion of the Pre-flotation Fundraising and the Placing and the Selling Shareholder Placing be directly or indirectly interested (within the meaning of Part VI of the Act) in three per cent. or more of the issued share capital of the Company.

	<i>At the date of this document</i>		<i>Immediately after Third Admission</i>	
	<i>No of Ordinary Shares</i>	<i>Percentage of issued share capital</i>	<i>No of Ordinary Shares</i>	<i>Percentage of issued share capital</i>
Calculus Capital Limited	–	–	282,258	4.32%
Neptune Calculus Income and Growth VCT plc	–	–	201,613	3.08%
North West Business Investment Scheme	93,167	2.30%	294,780	4.51%
David Newton	–	–	455,600	6.97%

- 6.6 Save as disclosed above, there are no persons, so far as the Company is aware, who will be immediately following Admission interested, directly or indirectly, in three per cent. or more of the Company's issued share capital, nor, so far as the Company is aware, are there any persons who at the date of Admission, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.
- 6.7 Save as disclosed in the document, no Director is or has been interested in any transactions which are or were unusual in their nature or conditions or significant to the business of the Company or the Group during the current or immediately preceding financial year or which were effected during any earlier financial year and remain in any respect outstanding or unperformed.
- 6.8 There are no outstanding loans or guarantees provided by the Company or the Group to or for the benefit of any of the Directors.
- 6.9 There are no arrangements known to the Company, the operation of which may at a subsequent date result in a change of control of the Company.

7 Directors' Remunerations and Service Agreements

- 7.1 John Rylands' employment with EpiStem commenced on 1 June 2005. His service agreement provides for 3 months notice of termination by either party. He is entitled to a salary of £52,500 per annum on the basis of 3.5 days work per week and a discretionary bonus. The contract contains provisions in relation to confidentiality and restrictive covenants. He is entitled to participate in a stakeholder pension with Scottish Widows which is non-contributory by EpiStem.

Jeffrey Moore's employment with EpiStem commenced on 1 September 2005. His service agreement provides for 6 months notice of termination by either party. He is entitled to a salary of £80,000 per annum until 1 September 2008 when it will be reviewed and to commission payments. The contract contains provisions in relation to confidentiality and restrictive covenants. He is entitled to participate in a stakeholder pension with Scottish Widows which is non-contributory by EpiStem.

Catherine Booth's employment with EpiStem commenced on 1 April 2000. Her service agreement provides for 12 weeks notice of termination by Catherine and one month and one week by EpiStem. She is entitled to salary a of £75,000 per annum and a discretionary bonus. The contract contains provisions in relation to confidentiality and restrictive covenants.

Christopher Potten's employment with EpiStem commenced on 1 December 2000. In July 2006 he became a self-employed consultant to the Company at a daily charge of £833 per day. The contract contains provisions in relation to confidentiality and restrictive covenants.

Gerard Brady's employment with EpiStem commenced on 1 May 2001. His service agreement provides for 3 months notice of termination by Gerard and one month and one week by the Company. He is entitled to a salary of £75,000 per annum and a discretionary bonus. The contract contains provisions regarding confidentiality and restrictive covenants. He is entitled to participate in a stakeholder pension with Scottish Widows which is non-contributory by EpiStem.

The Company and each of the Directors have undertaken to enter into new contracts with the Company within 30 days following Admission.

Matthew Walls' employment with the Company commenced on 26 February 2007. His service contract provides for 12 months notice of termination to be given by Mr Walls and 12 months notice by the Company. He is entitled to a salary of £175,000 per annum and a performance related bonus. The contract contains provisions regarding confidentiality and restrictive covenants.

- 7.2 Mr Robert Nolan and Mr David Evans are non-executive directors of the Company (the "**Non-Executive(s)**"). On 28 March 2007 each Non-Executive entered into a non-executive appointment agreement (the "Appointment"). The key provisions of the Appointment are set out below:

In terms of the Appointment, each Non-Executive agrees to provide services as a non-executive director for an annual fee. The monthly fee for David Evans is £2000 (exclusive of VAT), and £1,000 (exclusive of VAT) for Mr Robert Nolan. The Non-Executives are required to submit monthly VAT invoices. Each Non-Executive is responsible for payment of tax, national insurance, VAT and other contributions required by law. In the event that the Non-Executive undertakes additional assignments for the Company, the Non-Executive's fee will be as agreed by the Company in respect of each assignment.

Each Non-Executive is required to attend annual and extraordinary general meetings of the Company as requested and all full Board meetings. In addition, each Non-Executive is also required to serve as a member of the Company's remuneration committee. Each Non-Executive warrants that he is an independent contractor and is subject to confidentiality and intellectual property undertakings.

Both the Company and the Non-Executive must give one months notice in order to terminate the Appointment. However, the Appointment may be terminated by the Company without notice or payment in lieu of notice if terminated in accordance with the Company's Articles of Association or if the Non-Executive is not re-elected to the Board either at the first AGM following his appointment or after having been required to retire by rotation.

- 7.3 Save as disclosed in this paragraph 7, no Director has a service agreement with the Group which provides for payment of compensation on termination (other than statutory compensation).

8 Share Option Arrangements and Warrants

8.1 *EpiStem Holdings Plc EMI Share Option Scheme (the “EMI Scheme”)*

The Company has granted the following options under the EMI Scheme:

<i>Type of option</i>	<i>Date of Grant</i>	<i>Exercise Price</i>	<i>No. of Shares</i>	<i>Exercise Period</i>
EMI	2001/2002	£0.50	88,800	Exit only (excluding Listing)
EMI	2002	£0.75	13,600	Exit only (excluding Listing)
EMI	2003	£0.75	10,600	Exit only (excluding Listing)
EMI	2004	£0.75	12,200	Exit only (excluding Listing)
EMI	2005	£1.20	64,880	Exit only (excluding Listing)
EMI	2006	£1.20	11,100	Exit only (excluding Listing)

The Board has exercised its discretion to allow all of the above options to be exercisable following Admission.

8.1.1 The original options were granted by EpiStem under the EMI Scheme in an HM Revenue & Customs (“HMRC”) approved form in accordance with the legislative provisions for Enterprise Management Incentives (“EMI”) in Schedule 5 of the Income Tax (Earning and Pensions) Act 2003. The EMI Scheme was adopted by EpiStem on 7 January 2002 and amended on 19 July 2004. The EMI Scheme was used to grant options to employees.

8.1.2 Following the Acquisition, the EMI Option holders released their original options in EpiStem in exchange for equivalent options over ordinary shares in the Company. The Company approved the Rules of the EpiStem Holdings plc EMI Scheme for the purposes of granting these replacement options.

8.1.3 The Board administers the Scheme. The Board may in its discretion grant options to any full-time executive director or employee of any group company, defined as a director or employee who has committed time of 25 hours or more.

8.1.4 The option price is determined by the Board and is set out in the option certificate. All options granted under the EMI Scheme to date have been granted at market value, and that market value has been agreed with HMRC Share Valuation Division. £1 consideration is payable by option holders for the grant of an option.

8.1.5 No option may be assigned or transferred in any way although the legal personal representatives of a deceased option holder may in certain circumstances exercise options held by him.

8.1.6 The options are exercisable:

- (a) on ceasing to be an employee or a director as a good leaver; or
- (b) on ceasing to be an employee or a director for any reason other than as a good leaver, where the Board in its discretion determines that the option should be exercisable; or

- (c) within six months following a takeover; or
- (d) within one month following a court sanctioned compromise agreement; or
- (e) on the resolution for a voluntary winding up being passed; or
- (f) the Board exercising a discretion to allow exercise of the options on any date prior to those set out in (a) to (e) above.

8.1.7 Options will lapse and cease to be exercisable as follows:-

- (a) on the tenth anniversary of the date of grant;
- (b) on the first anniversary of the death of an option holder;
- (c) the later of the first anniversary of the cessation of employment and six months after the third anniversary of the date of grant where the optionholder is a good leaver (other than on death);
- (d) on cessation of employment where the option holder is not a good leaver, unless the Board exercises its discretion, in which case the Board shall determine the date on which the option shall lapse; or
- (e) six months following a takeover unless the option is released in exchange for a replacement option;
- (f) one month following a court sanctioned scheme of arrangement unless the option is released in exchange for a replacement option; or
- (g) immediately after the commencement of the voluntary winding up of the Company.

8.1.8 In the event of any capitalisation or rights issue, consolidation, sub-division or reduction, the number of shares under the option or the option price may be adjusted in such a way as the auditors confirm to be fair and reasonable.

8.1.9 No option shall be granted under the EMI Scheme if by virtue of the grant the aggregate of options held under the EMI Scheme or unexercised options held under an approved scheme would exceed £100,000.

8.1.10 The Board may from time to time amend the rules by resolution (subject to the prior written consent of the Company in general meeting being required in respect of certain material amendments) provided that no amendment adversely affect the rights of an option holder in respect of an option granted prior to the amendment.

8.1.11 It is the intention of the Board to exercise its discretion referred to in paragraph 8.1.6(f) above and allow exercise of options following Admission.

8.2 Standalone EMI Share Option Agreements (the “EMI Agreements”)

8.2.1 Original options were granted by EpiStem by way of standalone agreements to the following directors:

<i>Name of director</i>	<i>Date of grant</i>	<i>Option price</i>	<i>Number of shares</i>	<i>Exercise Period</i>
Jeffrey Moore	2005	£1.20	83,333	Exit only (includes Admission)
Hugh John Joseph Rylands	2005	£1.20	83,833	Exit only (includes Admission)

- 8.2.2 Following the Acquisition, the holders of Options under the EMI Agreements released their original options in EpiStem in exchange for equivalent options over ordinary shares in the Company.
- 8.2.3 The options granted under EMI Agreement have been granted at market value, and that market value has been agreed with HMRC Share Valuation Division. No consideration is payable for the grant of an option.
- 8.2.4 The options granted under the EMI Agreements cannot be assigned or transferred in any way, although the executors or personal representatives of a deceased option holder may, in certain circumstances, exercise options held by him.
- 8.2.5 The options granted under the EMI Agreements become exercisable:
- (a) following a listing of the Company's shares;
 - (b) if the Company terminated the option holder's employment other than under the summary dismissal provisions in the option holder's service agreement or if the option holder ceases to be a director or employee and is a good leaver, the sale (or part sale) of the company in which he is employed or for any other reason in the Board's discretion;
 - (c) within six months of a takeover, court sanctioned compromise agreement or sale of the whole or substantially the whole of the Company's business;
 - (d) on notice of a meeting to consider a resolution for a voluntary winding up of the Company.
- 8.2.6 Options will lapse and cease to be exercisable:
- (a) on the tenth anniversary of the date of grant;
 - (b) on the day before the first anniversary of the date of death of the option holder;
 - (c) on cessation of service unless the service is terminated other than under the summary dismissal provisions in the option holder's service agreement, or the option holder is a good leaver, the sale (or part sale) of the company he is employed by or where the Board exercises its discretion in which case it will lapse after six months;
 - (d) six months following a takeover or court sanctioned compromise arrangement unless the option is released in exchange for a replacement option;
 - (e) if an offeror becomes entitled to compulsorily acquire the Company's shares under sections 428 or 429 of the Companies Act 1985, the Option shall lapse upon the offeror ceasing to be entitled to acquire the shares;
 - (f) on the date on which a resolution is passed for the voluntary winding up of the Company.
- 8.2.7 In the event of any capitalisation or rights issue, consolidation, sub-division or reduction the number of shares under option or option price may be adjusted by the Board in such way as they consider, in their opinion, to be fair and reasonable.
- 8.3 Unapproved Share Option Agreements (the "Unapproved Agreements")

8.3.1 The Company has granted the following options under the Unapproved Agreements:

<i>Type of Option</i>	<i>Date of Grant</i>	<i>Exercise Price</i>	<i>No. of Shares</i>	<i>Exercise Period</i>
Unapproved	2004	£1.29	78,000	Exit only (includes Admission)
Unapproved	2005	£1.20	472,153	Exit only (includes Admission)

8.3.2 Following the Acquisition, the holders of options under the Unapproved Agreements released their original options in EpiStem in exchange for equivalent options over ordinary shares in the Company.

8.3.3 The terms of the Unapproved Agreements are the same as the EMI Agreements (summarised at paragraphs 8.2.1 to 8.2.7 above) save for an agreement between the Company and Robert Nolan dated August 2004 and an agreement between the Company and Jeffrey Moore dated 2005 (see paragraphs 8.3.5 and 8.3.6 for details).

8.3.4 No consideration is payable for the grant of an option.

8.3.5 The option between the Company and Robert Nolan over 78,000 shares is on the same terms as the EMI Agreements save for the exercise and lapse provisions. The option is exercisable from the date of grant of the original option until the day before the tenth anniversary of the date of grant of the original option. The option lapses one month following a takeover or court sanctioned compromise arrangement and on the date on which a resolution for the voluntary winding up of the Company is passed.

8.3.6 The option between the Company and Jeffrey Moore over 266,666 shares is on the same terms as the EMI Agreements save for the fact that vesting provisions apply in respect of the exercise of the option. The vesting conditions are as follows:

- (a) 16,667 shares vest on the date six months after the commencement of employment with EpiStem;
- (b) a further 83,333 shares vest on the first anniversary of commencement of employment with EpiStem;
- (c) a further 83,333 shares vest on the second anniversary of commencement of employment with EpiStem; and
- (d) a further 83,333 shares vest on the third anniversary of commencement of employment with EpiStem.

8.4 Stand-alone EMI/Unapproved Share Option Agreement (the "Option Agreement")

8.4.1 Options have been granted by the Company by way of a stand-alone agreement to Matthew Walls as follows:-

<i>Name of Director</i>	<i>Date of Grant</i>	<i>Option Price</i>	<i>No. of Shares</i>	<i>Exercise Period</i>
Matthew Heaton Walls	2007	£1.24	258,297	28.3.07 – 28.3.17

8.4.2 The options granted under the Option Agreement are, in part, granted under the Enterprise Management Incentive scheme the remainder being an unapproved option. The Option Price is market value and that market value has been agreed with HMRC Share Valuation Division. No consideration is payable for the grant of the option.

8.4.3 The options granted under the Option Agreement cannot be assigned or transferred in any way, although the executors or personal representatives of a deceased optionholder may, in certain circumstances exercise options held by him.

8.4.4 The options granted under the Option Agreement cannot be exercised prior to a listing and they may be exercised:-

- (a) on the date on which the audited accounts are available for the financial period ending after the third anniversary of the date of grant;
- (b) the death of the optionholder in such proportion as the option shares bear to the proportion of the period up to the third anniversary of the date of grant;
- (c) within 3 months of cessation of employment if cessation is by reason of injury, disability or redundancy within the meaning of the Employment Rights Act 1996 or retirement at normal retirement date or in other circumstances if within 2 weeks the Board resolves otherwise;
- (d) within 6 months following a takeover or court sanctioned compromise arrangements unless the option is released in exchange for a replacement option;
- (e) within 3 months of a resolution being passed for the voluntary winding-up of the Company;
- (f) on satisfaction of the performance condition. The performance condition is that the earnings per share in the financial year ending immediately after the third anniversary of the date of grant or any later financial year are a positive figure.

8.4.5 Options will lapse and cease to be exercisable:-

- (a) on the tenth anniversary of the date of grant;
- (b) on the day before the first anniversary of the date of death of the optionholder;
- (c) within 6 months following a takeover or court sanctioned compromise arrangement unless the option is released for a replacement option;
- (d) within 3 months of ceasing to be an employee of the Company if cessation is by reason of injury, disability or redundancy within the meaning of the Employment Rights Act 1996 or retirement at normal retirement date or in other circumstances if within 2 weeks the Board resolves otherwise and otherwise on date of ceasing to be an employee;
- (e) the optionholder is adjudicated bankrupt or declared apparently insolvent;
- (f) the performance condition has not been satisfied.

8.5 On 16 March 2007 the Company entered into a Warrant Instrument in respect of the subscription for up to 198,554 Ordinary Shares of 1.5 pence each in EpiStem Holdings plc. This Warrant Instrument replaced a previous Warrant Instrument created by EpiStem on 18 March 2005. Each warrant confers the right to subscribe for one Ordinary Share at a subscription price of £1.61 per Ordinary Share. The subscription rights under the warrants may be exercised up to 21 September 2015. 168,554 warrants are registered in the name of Zeus Capital and 30,000 warrants are registered in the name of Kevin Wilson, an employee of Zeus Capital.

9 Taxation

9.1 General

The following statements are intended to apply only as a general guide to current UK tax law and to the current practice of HM Revenue & Customs. They are intended to apply only to shareholders who are resident in the United Kingdom for UK tax purposes, who (unless the position of non-resident shareholder is expressly referred to) hold Placing Shares as investments and who are the beneficial owners of the Placing Shares. The statements may not apply to certain classes of shareholders such as dealers in securities, collective investment vehicles and insurance companies. Holders of Placing Shares who are in any doubt as to their tax position regarding the acquisition, ownership and

disposition of the Placing Shares or who are subject to tax in a jurisdiction other than the UK should consult their own tax advisers.

9.2 *Dividends*

Under current tax law, the Company will not be required to withhold tax at source from dividend payments it makes.

9.2.1 *Individuals*

An individual shareholder who is resident in the UK for tax purposes and who receives a dividend from the Company will be entitled to a tax credit which may be set off against his total income tax liability on the dividend. Such an individual shareholder's liability to income tax is calculated on the aggregate of the dividend and the tax credit (the "**gross dividend**") which will be regarded as the top slice of the individual's income. The tax credit will be equal to ten per cent. of the gross dividend (i.e. the tax credit will be one-ninth of the amount of the dividend).

Generally, a UK resident individual shareholder who is not liable to income tax in respect of the gross dividend will not be entitled to reclaim any part of the tax credit. A UK resident shareholder who is liable to income tax at the lower or basic rate will be subject to income tax on the dividend at the rate of ten per cent. of the gross dividend so that the tax credit will satisfy in full such shareholder's liability to income tax on the dividend. A UK resident individual shareholder liable to income tax at the higher rate will be subject to income tax on the gross dividend at 32.5 per cent. After taking into account the tax credit, such a shareholder will have to account for additional tax equal to 22.5 per cent. of the gross dividend (an effective tax rate of 25 per cent. of the net cash dividend received).

9.2.2 *Companies*

A corporate shareholder resident in the UK for tax purposes will not normally be subject to corporation tax on any dividend received from the Company. Such corporate shareholders will not be able to claim repayment of the tax credit attaching to any dividend.

9.2.3 *Pension funds*

UK pension funds will not be entitled to reclaim the tax credit attaching to any dividend paid by the Company.

9.3 *Summary of the main provisions relating to EIS*

Set out below is a summary of the main provisions of the Enterprise Investment Scheme, so far as is relevant to the Company and investors, as set out in the Income and Corporation Taxes Acts. It does not set out the provisions in full and investors are strongly advised to seek independent professional advice.

The Enterprise Investment Scheme provides for Income Tax Relief, CGT Exemption Relief, Loss Relief and CGT Deferral Relief (the "EIS Tax Reliefs"). Income Tax Relief, CGT Exemption Relief, and Loss Relief can only be claimed by a qualifying individual who subscribes for eligible shares issued by a qualifying company on or after 1 January 1994. CGT deferral relief may also be claimed by certain trustees.

Income Tax Relief

Qualifying individuals eligible for income tax relief can credit an amount equal to tax at the lower rate on the amounts subscribed for qualifying shares in qualifying companies against their total liability to income tax for the tax year in which those shares are issued. For the tax years 2006/07 and 2007/08, income tax relief is available at the lower rate of 20 per cent., in respect of the amount subscribed if over £500 and not in excess of £400,000. It does not matter where the individual is resident for tax purposes but income tax relief is only available against United Kingdom taxable income. The amount

of income tax relief cannot exceed an individual's tax liability before other reliefs given by way of discharge of tax.

An investor can claim to carry back part of his or her subscription to the previous tax year where EIS shares are issued before 6 October. The amount that can be carried back is the lesser of £50,000 and 50 per cent., of the shares comprised in an issue.

Income tax relief will be wholly or partly withdrawn if the shares are disposed of within three years after they are issued.

Capital Gains Tax Relief

To the extent income tax relief is available and not liable to be withdrawn any gain accruing to an individual on the first disposal 3 or more years after the issue of the qualifying shares is exempt from capital gains tax.

Loss Relief

Where a loss is incurred by an investor on the first disposal of his or her shares the net loss (after income tax relief) may be set against either chargeable gains or taxable income at the election of the investor and at the then applicable marginal rate of tax.

Capital Gains Tax Deferral

The liability to CGT arising from the disposal of any asset may be deferred by investing the gain in the eligible shares of a qualifying company. Investment must be made within the time period beginning 1 year before and ending 3 years after the original gain. There is no limit upon the amount of gain which may be deferred (although there are limits on the amount which a qualifying company can raise) and the relief may be claimed by certain trustees as well as individuals.

If you are in any doubt as to your tax position, or are subject to taxation in a jurisdiction other than the United Kingdom, you should consult an appropriate professional adviser without delay.

Joint Investors

Applications from joint investors are permissible. The tax relief is apportioned equally.

Claims

Claims for income tax relief and CGT Deferral Relief must be made not later than five years after the first 31 January after the tax year to which the claim relates. Prior to making a claim the Inspector of Taxes must authorise the Company to issue the appropriate certificates enabling tax relief to be claimed.

Qualifying status

For the purpose of the Enterprise Investment Scheme the Company has received advance assurance from HMRC that, on the basis of the information supplied to them outlining the proposed transaction and use of funds the Placing Shares will be eligible shares under S289(7) Income and Corporation Taxes Act 1988. This advance assurance relates only to the qualifying status of the Company and its shares and does not guarantee that any particular individual will qualify for relief in respect of an acquisition of Placing Shares. The conditions for relief to be obtained are complex and depend not only on the qualifying status of the Company but also upon certain factors and characteristics of the individual concerned. Individuals who believe that they may qualify for EIS relief should consult their own tax advisers. The Company and the Directors do not make any warranty or give any undertaking that the EIS Tax Reliefs will be available in respect of any investment in the Placing Shares pursuant to this document, nor do they warrant or undertake that the Company will keep its qualifying status throughout the relevant three year period or that, once given, the relief will not be withdrawn and the Company shall not be liable to shareholders for any loss suffered as a result of the subsequent withdrawal of EIS relief.

9.4 *Capital gains*

A disposal of new Ordinary Shares by a shareholder who is either resident or ordinarily resident in the UK for tax purposes, or is not UK resident but carries on a trade, profession or vocation in the UK through a branch, agency or permanent establishment and has used, held or acquired the Placing Shares for the purposes of such trade, branch, agency or permanent establishment may, depending on the shareholder's circumstances and subject to any available exemption or relief, give rise to a chargeable gain or an allowable loss for the purposes of the taxation of capital gains.

A shareholder who is an individual and who has, on or after 17 March 1998, ceased to be resident and ordinarily resident in the UK for tax purposes for a period of less than five years and who disposes of the Placing Shares during that period may also be liable on his return to the UK to tax on any capital gain realised (subject to any available exemption or relief).

For shareholders within the charge to corporation tax on chargeable gains, indexation allowance should be available to reduce the amount of chargeable gain realised on a disposal of the Placing Shares (but not to create or increase any loss). For such shareholders holding ten per cent. or more of the Company's ordinary share capital, a gain on the sale of the Placing Shares will be exempt from corporation tax on chargeable gains provided certain conditions are met.

For shareholders who are subject to capital gains tax, such as individuals, trustees and personal representatives, taper relief (which reduces the percentage of the gain chargeable by reference to how long the Placing Shares have been held) may be available to reduce the amount of chargeable gain realised on a disposal of the new Ordinary Shares.

A corporate shareholder who is not resident in the UK for tax purposes will not be subject to UK tax on a gain arising on a disposal of the Placing Shares unless such shareholder carries on a trade in the UK through a permanent establishment and has used the new Ordinary Shares in or for the purposes of the trade or used, held or acquired the Placing Shares for the purposes of the permanent establishment.

9.5 *Stamp duty and stamp duty reserve tax*

Generally, no liability to stamp duty or stamp duty reserve tax ("SDRT") will be payable by subscribers on the issue to them of, or on the issue of definitive share certificates in respect of, the Placing Shares by the Company (unless issued into a clearance system or depositary arrangement, on which see below).

Any subsequent conveyance or transfer for value on sale of the Placing Shares outside the CREST system will generally be subject to *ad valorem* stamp duty on the instrument of transfer at the rate equivalent to 50 pence for every £100 or part thereof of the amount or value of the consideration given rounded up to the nearest £5. Stamp duty is normally the liability of the purchaser or transferee of the Placing Shares. An unconditional agreement to transfer Placing Shares will normally give rise to a charge to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration for the Placing Shares. However, where within six years of the date of the agreement, an instrument of transfer is executed and duly stamped, the SDRT liability will be cancelled and any SDRT which has been paid will be repaid. SDRT is normally the liability of the purchaser or transferee of the Placing Shares.

Under the CREST system for paperless share transfers, deposits of Placing Shares into CREST will generally not be subject to stamp duty or SDRT unless such a transfer is made for a consideration in money or money's worth, in which case a liability to SDRT will arise usually at the rate of 0.5 per cent. of the value of the consideration given. Subsequent paperless transfers of Placing Shares within CREST are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration payable. CREST is obliged to collect SDRT from the purchaser of the Placing Shares on relevant transactions settled within the system.

Where Placing Shares are issued or transferred (i) to, or to a nominee for, a person whose business is or includes the provision of clearance services or (ii) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts, stamp duty (in the case of a transfer only to such

persons) or SDRT may be payable at a rate of 1.5 per cent. of the amount or value of the consideration payable or, in certain circumstances, the value of the Placing Shares or, in the case of an issue to such persons, the issue price of the Placing Shares.

The above statements are intended as a general guide to the current position. Certain categories of person, including market makers, brokers, dealers and persons connected with depositary arrangements and clearance services are not liable to stamp duty or SDRT and others may be liable at a higher rate or may although not primarily liable for tax be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

Any person who is in any doubt as to his tax position or who may be subject to tax in any other jurisdiction should consult his professional tax adviser.

9.6 VCT

For the purposes of the rules concerning qualifying holdings of Venture Capital Trusts (“VCTs”), the Company has received assurance from the HMRC that, on the basis of the information supplied, the Placing Shares will be qualifying holdings for the purposes of Schedule 28B ICTA.

This advance assurance relates only to the qualifying status of the Company and its shares and does not guarantee that any particular VCT will qualify for relief in respect of an acquisition of Placing Shares. The conditions for relief to be obtained are complex and depend not only upon the qualifying status of the Company, but also upon certain factors and characteristics of the VCT concerned. VCTs who believe that they may qualify for VCT relief should consult their own tax advisers regarding this.

It should also be pointed out that VCT relief may be withdrawn if, during a period (usually 3 years) following the acquisition of the shares in question, any of the conditions for relief are subsequently broken. In these circumstances, a claw-back of relief may apply. While the Company has no present intention that it will breach any of these conditions, it gives no warranties to shareholders in this respect and shall not be liable to shareholders for any loss suffered as a result of the subsequent withdrawal of VCT relief.

10 Employees

The Group employed on average 24 people during the period ended 30 June 2006, 21 people during the financial year ended 30 June 2005 and 16 people during the financial year ended 30 June 2004. During the most recent financial year the Group engaged two temporary staff.

11 Litigation

No member of the Group is, or has been, involved in any legal or arbitration proceedings which are either active, pending or threatened against it, or being brought by it, which are having or may have a significant effect on the Group’s financial position.

12 Placing Arrangements

- 12.1 Under an Agreement dated 30 March 2007 and made between the Company (1), the Directors (2) and Teather & Greenwood (3), Teather & Greenwood has agreed (conditionally, *inter alia*, on First Admission becoming effective not later than 4 April 2007, as agent for the Company, to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price.

Under the Placing Agreement the Company and the Directors have given Teather & Greenwood certain representations and warranties regarding, *inter alia*, the accuracy of the information contained in this document and other matters relative to the Group and its business. In addition, the Company has given an indemnity to Teather & Greenwood in respect of any liabilities resulting from the carrying out by Teather & Greenwood of its obligations or services under or in connection with the Placing Agreement. Provisions permit the Placing Agreement to be terminated prior to Admission in certain circumstances, including a material breach of the Placing Agreement.

Under the Placing Agreement and subject to it becoming unconditional, the Company has agreed to pay an aggregate fee of £125,000 and commission of 4 per cent. in respect of the Placing Shares.

The Company will pay certain other costs and expenses (including any applicable VAT) of, or incidental to, the Placing and the Pre-flotation Fundraising including all fees and expenses payable in connection with Admission, expenses of the registrars, printing and advertising expenses, postage and all other legal, accounting and other professional fees and expenses.

12.2 *Lock-in and Orderly Marketing arrangements*

Pursuant to the Placing Agreement each of the Directors have undertaken, subject to certain limited exceptions, not to dispose of any of the Ordinary Shares which they will hold following Admission for a period until one month after the publication of the preliminary results for the year end 30 June 2008. In addition, orderly marketing arrangements apply for a further period of 12 months following the expiry of the lock-in period referred to above whereby the Directors have undertaken to sell Ordinary Shares through Teather and Greenwood (or such other broker appointed by the Company from time to time).

12.3 *Pre-flotation Fundraising*

Subscription Agreements in respect of applications to subscribe for Ordinary Shares at £1.24 per share were entered into between the Company and each of the following investors prior to the Placing:

Name of Investor

Tom Frost
Matthew Baker
Peter Gray
John Alderson Kendrick
Keith Robert Malcouronne
Anthony William MacDonald Barker
Anthony Balme
James Leek
Simon Hunt
Kenneth H Donaldson
John Daly
Roger S Hursthouse
Trevor George Hursthouse
Hexworth Investments Limited
University of Manchester
Rensburg Client Nominees Limited
Calculus Capital Limited
Neptune – Calculus Income & Growth VCT plc
Jonathan Moulton
Richard Budenberg
D. Barker
Alan Hapgood
Alan Halsall
Kieran Sands
Janet Currie
Frank Cocker
Mary Lorraine Hughes
James Martin
Name of Investor
Neil McArthur
Ian Currie
Thomas Bloxham
North West Business Investment Scheme

The Directors have resolved to allot and issue the Pre-flotation Fundraising Shares conditional upon Admission.

- 12.4 Under the Selling Shareholder Placing Agreement dated 30 March 2007 and made between (1) Teather & Greenwood and (2) Christopher Potten, subject to certain conditions, Teather & Greenwood, as broker for Christopher Potten, has agreed to use reasonable endeavours to place the 100,680 Selling Shareholder Placing Shares at the Placing Price. The Selling Shareholder Placing Agreement is conditional, *inter alia*, upon Admission and the Placing Agreement becoming unconditional in all respects.

In the Selling Shareholder Placing Agreement, Christopher Potten has given certain warranties and indemnities to Teather & Greenwood concerning himself and the Selling Shareholder Placing Shares. In connection with its services Christopher Potten has agreed to pay certain fees to Teather & Greenwood, as set out in the Selling Shareholder Placing Agreement.

Teather & Greenwood may terminate the Selling Shareholder Placing Agreement in specified circumstances prior to Admission, principally in the event of Teather & Greenwood becoming aware of any circumstance which results in a material breach of the warranties given by Christopher Potten.

13 Material Contracts

In addition to the Placing Agreement, Selling Shareholder Placing Agreement, Subscription Agreements and Warrant Instrument details of which are set out in paragraphs 12.1, 12.3, 12.4 and 8.5 above, the following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or by its subsidiary during the two years immediately preceding the date of this document and are, or may be, material;

13.1 *Acquisition Agreement*

A Share Purchase Agreement dated 16 March 2007 among the Vendors (1) and the Company (2) whereby the Vendors agreed to sell and the Company agreed to purchase the whole of the issued share capital of EpiStem in exchange for the allotment and issue of, in aggregate, 4,045,626 Ordinary Shares of 1.5 pence each in the capital of the Company credited as fully paid. Completion of this agreement established the Company as the holding company of EpiStem.

13.2 *Shareholders Agreement*

A Shareholders Agreement dated 16 March 2007 between the Vendors (1), the Company (2), Zeus Capital (3). This Agreement regulates certain rights in relation to the Shareholders and the Company and will terminate, *inter alia*, on Admission. This Agreement replaced the previous shareholders agreement entered into between the same parties (other than the Company) and on broadly similar terms dated 8 June 2005 regulating certain rights in relation the shareholders of EpiStem.

13.3 *Nominated Advisor and Broker Letter*

Under a Nominated Adviser and Broker Letter (the "Nominated Adviser Agreement") dated 4 April 2007 between the Company (1) and Teather & Greenwood (2) Teather & Greenwood were appointed as Nominated Adviser and Broker to the Company for the purposes of the AIM Rules. This Agreement is terminable on three months written notice given by either party after the expiry of an initial 12 month period and in certain other circumstances. The Agreement provides *inter alia* that the Company gives various undertakings and an indemnity to Teather & Greenwood in respect of compliance with the AIM Rules.

13.4 *Engagement Letter with Teather & Greenwood*

On 22 January 2007 the Company entered into an Engagement Letter with Teather & Greenwood for Teather & Greenwood to act on behalf of the Company in connection with the proposed Admission to AIM and the raising of funds through the Placing. The Company agreed to pay an initial fee of

£25,000, a success fee of £100,000 and a commission of 4 per cent. on the value of funds raised through the Placing. These fees are contained in the Placing Agreement.

13.5 *Engagement Letter with Zeus Capital*

On 15 February 2007 EpiStem entered into an Engagement Letter with Zeus Capital in respect of the provision of corporate finance advice and services in connection with Admission. The Company agreed to pay Zeus Capital a corporate finance fee of £25,000 together with commission calculated at a rate of 6 per cent. on the value of certain funds raised in respect of the Pre-flotation Fundraising above £250,000.

13.6 *Engagement Letter with Beer & Partners.*

On 25 September 2006 the Epistem entered into an Engagement Letter with Beer & Partners Limited in connection with the raising of certain finance which forms part of the Pre-flotation Fundraising. EpiStem agreed to pay a fee of £6,000 on a non-refundable basis together with a success fee calculated at 6 per cent. of the funds raised from certain investors subject to a minimum of £5,000.

13.7 On 28 March 2007 the Company entered into a registrar's agreement with Neville Registrars Limited under which Neville Registrars Limited was appointed as the Company's registrar. The fee for providing the registration services is based on a charge of £1.50 per account opened and certain transfer activity fees subject to a minimum aggregate charge of £600.00 per annum.

14 Consents

14.1 Teather & Greenwood of Beaufort House, 15 St Botolph Street, London EC3A 7QR is regulated by the Financial Services Authority for the conduct of investment business in the UK. Teather & Greenwood has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and the references to it in the form and context in which it appears.

14.2 Haines Watts of 1st Floor, Northern Assurance Buildings, 9-12 Princes Street, Albert Square, Manchester M2 4DW has given and has not withdrawn its written consent to the inclusion of its name, its reports set out in Parts IIIA and IIIB of this document and the references to such reports and its name, in the form and context in which they appear. Haines Watts accepts responsibility for the reports set out in Part III in accordance with Schedule Two of the AIM Rules (and paragraph 1.2 of Annex I of the Prospectus Rules), confirms that to the best of its knowledge having taken all reasonable care to ensure that such is the case the information contained therein is in accordance with the facts and does not omit anything likely to affect the import of such information.

15 Significant Changes

15.1 Save as described in this document and in respect of expenditure incurred in the ordinary course of its business, there has been no significant change in the financial or trading position of EpiStem since 30 December 2006 being the end of the period to which the latest accounts of EpiStem relate.

15.2 Save as described in this document, there has been significant change in the financial or trading position of the Company since 15 February 2007, being the date of incorporation of the Company.

16 Mandatory bids, squeeze out and sell out rules

16.1 *Mandatory bid*

The Takeover Code applies to the Company. Under that code, if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquirer and any parties acting in concert with it to Ordinary Shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties (if any) would be required (except with the consent of the Takeover Panel) to make a cash offer for the Ordinary Shares not already owned by the acquirer and its concert parties (if any) at a price not less than the highest price paid for Ordinary Shares by the acquirer or its concert parties (if any) during the previous 12 months. A similar obligation to make

such a mandatory cash offer would also arise on the acquisition of Ordinary Shares by a person holding (together with its concert parties, if any) Ordinary Shares carrying at least 30 per cent. but not more than 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase the percentage of the aggregate voting rights held by the acquirer and its concert parties (if any).

16.2 *Squeeze-out rules*

Under the Act, if a person who has made a general offer to acquire Ordinary Shares (the “offeror”) were to acquire, or contract to acquire, 90 per cent. of the Ordinary Shares which are the subject of such offer within four months of making its offer, the offeror could then compulsorily acquire the remaining 10 per cent. The offeror would do so by sending a notice to outstanding Shareholders telling them that the offeror will compulsorily acquire their Ordinary Shares and then, six weeks later, executing a transfer of the outstanding Ordinary Shares in the offeror’s favour and paying the consideration to the Company, which would hold the consideration on trust for outstanding Shareholders. The consideration offered to those Shareholders whose Ordinary Shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the general offer.

16.3 *Sell-out rules*

16.3.1 The Act gives minority Shareholders a right to be bought out in certain circumstances by a person who has made a general offer as described in paragraph 16.2 above. If, at any time before the end of the period within which the general offer can be accepted, the offeror holds, or has agreed to acquire, not less than 90 per cent. of the Ordinary Shares, any holder of Ordinary Shares to which the general offer relates who has not accepted the general offer can, by a written communication to the offeror, require it to acquire that holder’s Ordinary Shares.

16.3.2 The offeror is required to give each 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 rights, the offeror is entitled and bound to acquire those Ordinary Shares on the terms of the offer or on such other terms as may be agreed.

17 General

17.1 Save as set out below or otherwise in this document, no person (excluding professional advisers and trade suppliers or otherwise disclosed in this document) has received, directly or indirectly, within the twelve months preceding the application for Admission or entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission:

- (a) fees totalling £10,000 or more;
- (b) securities where these have a value of £10,000 or more calculated by reference to the Placing Price; or
- (c) any other benefit with a value of £10,000 or more at the date of Admission.

Mr Evans is entitled to a bonus on completion of a successful fundraising of the Company amounting to £100,000 in respect of the Pre-flotation Fundraising and the Placing. Mr Evans has been allotted 80,645 Ordinary Shares conditional on the Third Admission in satisfaction of this bonus.

17.2 The total costs and expenses (including professional fees, printing and advertising costs and the amounts payable pursuant to the Placing Agreement) in connection with the Placing and the Pre-flotation Fundraising are estimated to amount to £432,578.52 (exclusive of VAT) and are payable by the Company. This amount includes a commission of £40,058 payable to Teather & Greenwood, commission of £11,700.52 payable to Zeus Capital, commission of £25,320 payable to Beer &

Partners. Accordingly the net proceeds which the Company is expected to raise by the Placing and the Pre-flotation Fundraising are £2,558,058.44.

- 17.3 There are no significant investments by the Group under active consideration.
- 17.4 The financial information set out in Part III of this document relating to the Company and EpiStem does not constitute statutory accounts within the meaning of section 240 of the Act. Haines Watts registered auditors, of Bridge House, 157 Ashley Road, Hale, Altrincham, Cheshire WA14 2UT has reported upon the statutory accounts of EpiStem for the period ended 30 June 2006 within the meaning of Section 262(1) of the Act and did not contain a statement under sections 237(2) or (3) of the Act. Statutory accounts of EpiStem in respect of this period have been delivered to the Registrar of Companies in England and Wales pursuant to section 242 of the Act. The Company was incorporated on 15 February 2007 accordingly, no such accounts have been delivered to the Registrar of Companies in England and Wales pursuant to section 242 of the Act.
- 17.5 Other than the current application for Admission, the Ordinary Shares have not been admitted to dealing on any investment exchange nor has any application for such admission been made nor are there intended to be any other arrangements for there to be dealings in the Ordinary Shares on any such exchange.
- 17.6 Save as disclosed in this document, there are no patents, other intellectual property rights, licenses or particular contracts which are of fundamental importance to the Company's business.
- 17.7 Save as disclosed in this document, there are no exceptional factors which have influenced the Group's activities.
- 17.8 There are no arrangements in place under which future dividends are to be waived or agreed to be waived.
- 17.9 The accounting reference date of the Company is 30 June.
- 17.10 Of the price being paid to the Company for the Placing Shares and the Pre-flotation Fundraising Shares, £0.015 represents the nominal value and £1.225 represents premium.
- 17.11 The Placing Shares will rank *pari passu* in all respects with the existing Ordinary Shares and will rank in full for all dividends and other distributions declared in respect of Ordinary Shares after Admission.
- 17.12 The Pre-flotation Fundraising Shares will rank *pari passu* in all respects with the existing Ordinary Shares and will rank in full for all dividends and other distributions declared in respect of Ordinary Shares after Admission.
- 17.13 All the information provided in this document has been sourced from the Company and the Company's other advisers named on page 4 of this document. All such information has been accurately reproduced and so far as the Company is aware and is able to ascertain no facts have been omitted which would render the reproduced information inaccurate or misleading. Where information set out in this document has been sourced from a third party the Company confirms that this information has been accurately reproduced and that, so far as the Company is aware and is able to ascertain from the information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 17.14 There are no environmental issues that may affect the Group's utilisation of its tangible fixed assets.
- 17.15 The auditors of the Company are HWCA Limited, Chartered Accountants of Bridge House, 157 Ashley Road, Hale, Altrincham, Cheshire, WA14 2UT, regulated by the Institute of Chartered Accountants of England and Wales.
- 17.16 Save as set out in paragraphs 12.1, 13.5, 13.6, 17.1 and 17.2 of Part IV of this document, no commission is payable by the Company to any person in consideration of his agreeing to subscribe for securities to which this document relates or of his procuring or agreeing to procure subscriptions for such securities.

- 17.17 No paying agent has been appointed by the Company.
- 17.18 Save as disclosed in this document, there are no investments in progress, and there are no future investments on which the Directors have already made firm commitments, which are significant to the Group.
- 17.19 Save as disclosed in paragraphs 12.1, 13.5, 13.6 and 17.2 of Part IV of this document, no payment (including commissions) or other benefit has been or is to be paid or given to any promoter of the Company.
- 17.20 Save as disclosed in this document, there have been no significant recent trends in production, sales and inventory and costs and selling price since 30 June 2006.
- 17.21 Save as disclosed in this document, there are no trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for at least the current financial year
- 17.22 Save as set out in paragraph 17.1 of this Part IV the following related party transactions have been entered into by EpiStem, at arms length, since 1 July 2003:

Consultancy services were provided to EpiStem by Professor Potten at a cost of £39,984 in the financial year ended 30 June 2006, by Mr Evans at a cost of £15,000 and by Mr Nolan at a cost of £4,200 in the same period.

EpiStem purchased services to the value of £7,000 in the financial year ended 30 June 2005 and £12,000 in the financial year ended 30 June 2004 from Castlegate Consultancy Services Limited, a company in which Professor Potten has a material interest. No services were purchased in the financial year ended 30 June 2006.

A provision for accountancy services from Northern Venture Management Limited was made by EpiStem of £12,000 in the financial year ended 30 June 2005 and £12,000 in 2004 for the financial year ended 30 June 2004. No provision has been made for the period ended 30 June 2006. Northern Venture Management Limited is a company in which John Rylands is a director and shareholder.

18 Availability of Admission Document

- 18.1 Copies of this document are available free of charge from the registered office of the Company and from the office of Teather & Greenwood, Beaufort House, 15 St Botolph Street, London EC3A 7QR during normal business hours on any weekday (Saturdays and public holidays excepted) and will remain available for at least one month following the date of Third Admission.

Dated: 30 March 2007

