



AIM Admission Document

March 2014



Nominated
Advisor & Broker

Jefferies



XEROS® The Power of Polymer Cleaning®

www.xeroscleaning.com



THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, or the action you should take, you are recommended to seek immediately your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial advisor duly authorised under the Financial Services and Markets Act 2000 (as amended) ("FSMA") if you are in the United Kingdom, or, if not, from another appropriately authorised independent financial advisor.

This document, which comprises an AIM admission document drawn up in accordance with the AIM Rules for Companies, has been issued in connection with the application for admission to trading on AIM of the entire issued and to be issued ordinary share capital of the Company. It is expected that Admission will become effective and that trading in the Ordinary Shares will commence on AIM on 25 March 2014. This document does not constitute an offer or constitute any part of an offer to the public within the meaning of sections 85 and 102B of FSMA. Accordingly this document does not comprise a prospectus within the meaning of section 85 of FSMA and has not been drawn up in accordance with the Prospectus Rules or approved by or filed with the Financial Conduct Authority or any other competent authority.

Application will be made for all of the Ordinary Shares, issued and to be issued, to be admitted to trading on AIM, a market operated by London Stock Exchange plc (the "**London Stock Exchange**"). 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 advisor. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated advisor. The nominated advisor 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. The AIM Rules for Companies are less demanding than those of the Official List. The Ordinary Shares are not dealt in on any other recognised investment exchange and, apart from the application for admission to AIM, no other such applications have been made or will be made.

The Directors, whose names are set out on page 2 of this document, and the Company accept responsibility for the information contained in this document. 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. All of the Directors accept individual and collective responsibility for compliance with the AIM Rules for Companies. The whole of this document should be read. An investment in the Company is speculative. The attention of prospective investors is drawn in particular to Part II of this document which sets out certain risk factors relating to any investment in Ordinary Shares. All statements regarding the Group's business, financial position and prospects should be viewed in light of these risk factors.

XEROS TECHNOLOGY GROUP PLC

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

PLACING OF 22,422,579 ORDINARY SHARES AT 123 PENCE PER ORDINARY SHARE AND ADMISSION TO TRADING ON AIM

NOMINATED ADVISER AND BROKER

JEFFERIES INTERNATIONAL LIMITED

SHARE CAPITAL

(immediately following Admission)

Issued and fully paid Ordinary Shares of 0.15 pence each

<i>Number</i>	<i>£</i>
<i>65,073,549</i>	<i>97,610.32</i>

The Placing Shares will rank *pari passu* in all respects with the Existing Ordinary Shares and will rank in full for all dividends or other distributions declared, made or paid on the Ordinary Shares after Admission. It is expected that Admission will take place, and that trading in the Ordinary Shares will commence, on 25 March 2014. The Ordinary Shares are not traded on any other recognised investment exchange and no other applications have been made.

This document does not constitute an offer to sell or issue, or the solicitation of an offer to subscribe for or buy, Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation. In particular, this document is not for distribution in or into the United States of America, Canada, Japan, the Republic of South Africa or Australia. The issue of the Ordinary Shares has not been, and will not be, registered under the applicable securities laws of the United States of America, Canada, Japan, the Republic of South Africa or Australia and the Ordinary Shares may not be offered or sold directly or indirectly within the United States of America, Canada, Japan, the Republic of South Africa or Australia or to, or for the account or benefit of, any persons within the United States of America, Canada, Japan, the Republic of South Africa or Australia.

The distribution of this document in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

The Ordinary Shares have not been and will not be registered under the US Securities Act of 1933 and may not be offered or sold within the United States.

Jefferies International Limited, which is regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively for the Company as its nominated advisor and broker to the Company in connection with the proposed Placing and Admission and will not be acting for any other person or otherwise be responsible to any person for providing the protections afforded to customers of Jefferies International Limited or for advising any other person in respect of the proposed Placing and Admission. Jefferies International Limited's responsibilities as the Company's nominated advisor and broker under the AIM Rules for Companies and the AIM Rules for Nominated Advisers 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 such person's decision to acquire shares in the Company in reliance on any part of this document. No representation or warranty, express or implied, is made by Jefferies International Limited as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued) and Jefferies International Limited has not authorised the contents of any part of this document and accepts no liability whatsoever for the accuracy of any information or opinions contained in this document or for the omission of any material information from this document for which the Company and the Directors are solely responsible.

The information contained in this document has been prepared solely for the purposes of the Placing and Admission and is not intended to inform or be relied upon by any subsequent purchasers of Ordinary Shares (whether on or off market) and accordingly no duty of care is accepted in relation to them.

Copies of this document will be available free of charge during normal business hours on any day (except Saturdays, Sundays and public holidays) at the offices of the Company and at Jefferies International Limited at Vintners Place, 68 Upper Thames Street, London, EC4V 3BJ from the date of this document until the date which is one month from the date of Admission. Additionally, an electronic version of this document will be available on the Company's website, www.xeroscleaning.com.

IMPORTANT INFORMATION

This document should be read in its entirety before making any application for Ordinary Shares. Prospective Shareholders should rely only on the information contained in this document. No person has been authorised to give any information or make any representations other than as contained in this document and, if given or made, such information or representations must not be relied on as having been authorised by the Company or Jefferies International Limited or any of their respective affiliates, officers, directors, employees or agents. Without prejudice to the Company's obligations under the AIM Rules neither the delivery of this document nor any subscription made under this document shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information contained herein is correct as at any time subsequent to its date.

Prospective investors in the Company must not treat the contents of this document or any subsequent communications from the Company or Jefferies International Limited or any of their respective affiliates, officers, directors, employees or agents as advice relating to legal, taxation, accounting, regulatory, investment or any other matters.

Apart from the liabilities and responsibilities (if any) which may be imposed on Jefferies International Limited by law, Jefferies International Limited does not make any representations, express or implied, or accept any responsibility whatsoever for the contents of this document nor for any other statement made or purported to be made by it or on its behalf in connection with the Company, the Ordinary Shares, the Admission or the Placing. Jefferies International Limited (and its affiliates) accordingly disclaims all and any liability (save for any statutory liability) whether arising in tort or contract or otherwise which it might otherwise have in respect of this document or any such statement.

In connection with the Placing, Jefferies International Limited or any of its affiliates acting as an investor for its or their own account(s) may subscribe for the Ordinary Shares and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in such securities of the Company, any other securities of the Company or related investments in connection with the Placing or otherwise. Accordingly, references in this document to the Ordinary Shares being issued, offered, subscribed or otherwise dealt with, should be read as including any issue or offer to, or subscription or dealing by, Jefferies International Limited or any of its affiliates acting as an investor for its or their own account(s). Jefferies International Limited does not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

If you are in doubt about the contents of this document you should consult your stockbroker, bank manager, solicitor, accountant, legal or professional advisor or other financial advisor.

Data protection

The information that a prospective investor in the Company provides in documents in relation to a subscription for Ordinary Shares or subsequently by whatever means which relates to the prospective investor (if it is an individual) or a third party individual ("**personal data**") will be held and processed by the Company (and any third party in the United Kingdom to whom it may delegate certain administrative functions in relation to the Company) in compliance with the relevant data protection legislation and regulatory requirements of the United Kingdom. Each prospective investor acknowledges and consents that such information will be held and processed by the Company (or any third party, functionary, or agent appointed by the Company) for the following purposes:

- verifying the identity of the prospective investor to comply with statutory and regulatory requirements in relation to anti-money laundering procedures;
- carrying out the business of the Company and the administering of interests in the Company;
- meeting the legal, regulatory, reporting and/or financial obligations of the Company in the UK or elsewhere; and
- disclosing personal data to other functionaries of, or advisors to, the Company.

Each prospective investor acknowledges and consents that where appropriate it may be necessary for the Company (or any third party, functionary, or agent appointed by the Company) and/or the Administrator to:

- disclose personal data to third party service providers, affiliates, agents or functionaries appointed by the Company or its agents to provide services to prospective investors; and

- transfer personal data outside of EEA States to countries or territories which do not offer the same level of protection for the rights and freedoms of prospective investors the United Kingdom (as applicable).

If the Company (or any third party, functionary or agent appointed by the Company) discloses personal data to such a third party, agent or functionary and/or makes such a transfer of personal data it will use reasonable endeavours to ensure that any third party, agent or functionary to whom the relevant personal data is disclosed or transferred is contractually bound to provide an adequate level of protection in respect of such personal data.

Prospective investors are responsible for informing any third party individual to whom the personal data relates of the disclosure and use of such data in accordance with these provisions.

Regulatory information

This document does not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. The issue or circulation of this document may be prohibited in some countries.

For the attention of United States Residents

The Ordinary Shares have not been and they will not be registered under the US Securities Act of 1933 as amended (the “**Securities Act**”), or with any securities regulatory authority of any State or any other jurisdiction of the United States and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, US Persons (as defined in Regulation S under the Securities Act). The Ordinary Shares have not been approved or disapproved by the US Securities and Exchange Commission, any State securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of Ordinary Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States and any re-offer or resale of any of the Ordinary Shares in the United States or to US Persons may constitute a violation of US law or regulation. Applicants for Ordinary Shares will be required to certify that they are not US Persons and are not subscribing for Ordinary Shares on behalf of US Persons or that an applicable exemption applies to them. Any person in the United States who obtains a copy of this document is requested to disregard it.

For the attention of Swiss Residents

No Ordinary Shares will be publicly offered or distributed in Switzerland. Ordinary Shares will be offered in Switzerland privately only to a select circle of investors without the use of any public means of information or advertisement. This document does not constitute an offer prospectus within the meaning of Art. 652a of the Swiss Code of Obligations. It has not been filed with or approved by any Swiss regulatory authority or stock exchange. The Ordinary Shares will not be registered in Switzerland or listed on any Swiss stock exchange. This document may not be distributed or used in Switzerland without the Company’s prior written approval.

Investment considerations

The contents of this document are not to be construed as advice relating to legal, financial, taxation, accounting, regulatory, investment decisions or any other matter. Prospective investors must inform themselves as to:

- the legal requirements within their own countries for the purchase, holding, transfer, redemption or other disposal of the Ordinary Shares;
- any foreign exchange restrictions applicable to the purchase, holding, transfer, redemption or other disposal of the Ordinary Shares which they might encounter; and
- the income and other tax consequences which may apply to them as a result of the purchase, holding, transfer, redemption or other disposal of the Ordinary Shares.

Prospective investors must rely upon their own representatives, including their own legal advisors and accountants, as to legal, tax, accounting, regulatory, investment or any other related matters concerning the Company and an investment therein.

An investment in the Company should be regarded as a long-term investment. There can be no assurance that the Company’s investment objectives will be achieved. It should be remembered that the price of the Ordinary Shares, and the income from such Ordinary Shares (if any), can go down as well as up.

This document should be read in its entirety before making any investment in the Ordinary Shares. All Shareholders are entitled to the benefit of, are bound by, and are deemed to have notice of, the provisions the Articles which investors should review. A summary of the Articles is contained in Part V of this document under the section headed “Articles of Association”.

Forward-looking statements

This document includes statements that are, or may be deemed to be, “forward-looking statements”. These statements relate to, among other things, analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable. These statements also relate to the Group’s future prospects, developments and business strategies.

These forward-looking statements can be identified by their use of terms and phrases such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “predict”, “project”, “will” or the negative of those variations, or comparable expressions, including references to assumptions. These statements are primarily contained in Part I of this document.

The forward-looking statements in this document, including statements concerning projections of the Group’s future results, operations, profits and earnings, are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements.

Certain risks to and uncertainties for the Group are specifically described in Part II of this document headed “Risk Factors”. If one or more of these risks or uncertainties materialises, or if underlying assumptions prove incorrect, the Group’s actual results may vary materially from those expected, estimated or projected. Given these risks and uncertainties, potential investors should not place any reliance on forward-looking statements.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this document are based on certain factors and assumptions, including the Directors’ current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group’s operations, results of operations, growth strategy and liquidity. Whilst the Directors consider these assumptions to be reasonable based upon information currently available, they may prove to be incorrect. Prospective investors should therefore specifically consider the risk factors contained in Part II of this document that could cause actual results to differ before making an investment decision. Save as required by law or by the AIM Rules for Companies, the Company undertakes no obligation to publicly release the results of any revisions to any forward-looking statements in this document that may occur due to any change in the Directors’ expectations or to reflect events or circumstances after the date of this document.

Market and financial information

The data, statistics and information and other statements in this document regarding the markets in which the Group operates, or the Group’s position therein, are based on the Group’s records or are taken or derived from statistical data and information derived from the sources described in this document.

In relation to these sources, such information has been accurately reproduced from the published information and, so far as the Directors are aware and are able to ascertain from the information provided by the suppliers of these sources, no facts have been omitted which would render such information inaccurate or misleading.

Various figures and percentages in tables in this document have been rounded and accordingly may not total. Certain financial data has also been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetical totals of such data.

All times referred to in this document are, unless otherwise stated, references to London time.

Currencies

Unless otherwise indicated, all references in this document to: (a) “GBP”, “£”, “pounds sterling”, “pounds”, “sterling”, “pence” or “p”, are to the lawful currency of the United Kingdom; (b) “US\$”, “\$”, “US Dollar”, “dollars”, are to the lawful currency of the United States of America; (c) “€” or “Euro”, are to the lawful currency of the European Union.

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PLACING STATISTICS AND EXPECTED TIMETABLE OF PRINCIPAL EVENTS

PLACING STATISTICS

Placing Price	123 pence
Number of Ordinary Shares in issue on Admission (excluding Placing Shares)	42,650,970
Number of Ordinary Shares to be issued pursuant to the Placing	22,422,579
Number of Ordinary Shares in issue following the Placing and Admission	65,073,549
Percentage of Enlarged Share Capital represented by the Placing Shares	34.5 per cent.
Market capitalisation upon Admission at the Placing Price	£80,040,000
Number of Ordinary Shares in respect of which options are outstanding upon Admission	6,332,597
Fully diluted number of Ordinary Shares immediately following Admission*	71,406,146
Estimated gross proceeds of the Placing receivable by the Company	27,579,772
Estimated net proceeds of the Placing receivable by the Company	25,793,000
ISIN	GB00BJFLLV84
SEDOL	BJFLLV8
TIDM	XSG

**Assuming exercise in full of the options*

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	19 March 2014
Admission effective and dealings in the Ordinary Shares commence on AIM	25 March 2014
CREST accounts to be credited	8.00 am on 25 March 2014
Where applicable, share certificates in respect of Placing Shares to be dispatched by	7 April 2014

Each of the times and dates set out above and mentioned elsewhere in this document may be subject to change at the absolute discretion of the Company and Jefferies.

DIRECTORS, SECRETARY AND ADVISERS

Directors	John Andrew Walter Samuel (<i>Non-Executive Chairman</i>) William George Westwater (<i>Chief Executive Officer</i>) Stephen Derek Jenkins (<i>Chief Science Officer</i>) David Christopher Hanson (<i>Finance Director</i>) Maciek Drozd (<i>Non-Executive Director</i>) Julian George Viggars (<i>Non-Executive Director</i>) Charles Stephen Winward (<i>Non-Executive Director</i>)
Company Secretary	David Christopher Hanson
Registered Office	Unit 14, Evolution Advanced Manufacturing Park Whittle Way Catcliffe Rotherham South Yorkshire S60 5BL
Website	www.xeroscleaning.com
Nominated Adviser and Broker	Jefferies International Limited Vintners Place 68 Upper Thames Street London EC4V 3BJ
Legal Advisers to the Company	Squire Sanders (UK) LLP 7 Devonshire Square London EC2M 4YH
Legal Advisers to the Nominated Adviser and Broker	Travers Smith LLP 10 Snow Hill London EC1A 2AL
Auditors to the Company and Reporting Accountants	KPMG LLP 1 The Embankment Neville Street Leeds West Yorkshire LS1 4DW
Registrar	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen B63 3DA
Public Relations Adviser to the Company	Newgate Communications LLP 33 King William Street London EC4R 9AS

DEFINITIONS

“Act”	the UK Companies Act 2006, as amended from time to time
“Admission”	admission of the issued and to be issued share capital of the Company to trading on AIM becoming effective in accordance with the AIM Rules
“AIM”	AIM, a market operated by the London Stock Exchange
“AIM Rules”	the AIM Rules for Companies issued by the London Stock Exchange from time to time
“A Ordinary Shares”	A ordinary shares of £0.25 each in the capital of the Company, each of which will be converted into Ordinary Shares on Admission
“Articles”	the articles of association of the Company as at the date of Admission
“BASF”	BASF SE
“B Ordinary Shares”	B ordinary shares of £0.25 each in the capital of the Company, each of which will be converted into Ordinary Shares on Admission
“Board” or “Directors”	the current board of directors of the Company, whose names are set out on page 2 of this document
“BPR”	business property relief
“Business Day”	a day (other than Saturdays or Sundays or public holidays) on which the banks are open for business in London
“C Ordinary Shares”	C ordinary shares of £0.25 each in the capital of the Company, each of which will be converted into Ordinary Shares on Admission
“C1 Ordinary Shares”	C1 ordinary shares of £0.25 each in the capital of the Company, each of which will be converted into Ordinary Shares on Admission
“certificated”, or “in certificated form”	the description of a share or other security that is not in uncertificated form (that is, not in CREST)
“City Code”	the UK City Code on Takeovers and Mergers
“Company” or “Xeros”	Xeros Technology Group plc
“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the Operator (as defined in the CREST Regulations)
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) (as amended from time to time)
“DAB”	The Xeros Technology Group plc deferred annual bonus plan to be adopted by the Board immediately prior to or on Admission
“EEA state”	any member state of the European Economic Area which has implemented the Prospectus Directive
“EIS”	the Enterprise Investment Scheme
“Enlarged Share Capital”	the issued share capital of the Company immediately following Admission, comprising the Existing Ordinary Shares (as converted into Ordinary Shares on Admission) and the Placing Shares
“Entrepreneurs Fund”	Entrepreneurs Fund L.P

“Enterprise Ventures”	Rising Stars Growth Fund II, Finance Yorkshire Seedcorn LP and South Yorkshire Investment Fund
“ERISA”	the United States Employee Retirement Income Security Act 1974, as amended
“EU”	the European Union
“Euroclear”	Euroclear UK & Ireland Limited
“Excluded Territory”	means the United States of America, Canada, Australia, Japan and the Republic of South Africa and any other jurisdiction where the extension or availability of the Placing would breach any applicable law
“Existing Ordinary Shares”	the existing Xeros Ordinary Shares, A Ordinary Shares, B Ordinary Shares, C Ordinary Shares and C1 Ordinary Shares in issue prior to the Placing
“FACTA”	Foreign Account Tax Compliance Act of 2010, as amended
“Financial Conduct Authority” or “FCA”	the Financial Conduct Authority of the United Kingdom acting in its capacity as the competent authority for the purposes of Part VI of FSMA
“FSMA”	the Financial Services and Markets Act 2000, as amended
“Group” or “Xeros”	prior to completion of the share exchange agreement referred to in paragraph 13.3 of Part V, Xeros Limited and its subsidiary, Xeros Inc, and thereafter the Company and its subsidiaries, Xeros Limited and Xeros Inc
“HMRC”	Her Majesty’s Revenue and Customs
“IHT”	inheritance tax
“Invesco”	Invesco Asset Management Limited, together with Invesco Perpetual High Income Fund and Invesco Perpetual Income Fund
“IP Group”	IP Group plc, together with Techtran Group Limited and IP2IPO Limited (subsidiaries of IP Group plc) and IP Venture Fund (a fund managed by a subsidiary of IP Group plc)
“ISIN”	International Securities Identification Number
“ITEPA”	Income Tax (Earnings and Pensions) Act 2003
“Jefferies”	Jefferies International Limited
“Locked-in Shareholders”	IP Group, Entrepreneurs Fund, Enterprise Ventures, Invesco, John Samuel, Bill Westwater, Steve Jenkins, Chris Hanson and Charles Winward
“London Stock Exchange”	London Stock Exchange plc
“New EMI Scheme”	the Xeros Technology Group plc Enterprise Management Incentive Scheme to be adopted by the Board prior to, on or shortly after Admission
“New Option Schemes”	together, the New Unapproved Scheme and the New EMI Scheme
“New Unapproved Scheme”	the Xeros Technology Group plc unapproved share option scheme, to be adopted by the Board prior to, on or shortly after Admission
“Official List”	the Official List of the UK Listing Authority

“Old EMI Scheme”	the Xeros Limited Enterprise Management Incentive Share Option Scheme
“Old Option Schemes”	together, the Old Unapproved Scheme and the Old EMI Scheme
“Old Unapproved Scheme”	the Xeros Limited Unapproved Share option scheme
“Ordinary Shares”	ordinary shares of 0.15 pence each in the capital of the Company
“Panel”	the UK Panel on Takeovers and Mergers
“patent family”	a number of national granted patents or national or regional pending patent applications, all of which are based on a single parent patent application and which disclose essentially the same invention
“Placee”	any person subscribing for or purchasing Ordinary Shares pursuant to the Placing
“Placing”	the conditional placing by Jefferies International Limited of the Placing Shares at the Placing Price pursuant to and on the terms and conditions set out in the Placing Agreement
“Placing Agreement”	the conditional agreement dated 19 March 2014 relating to the Placing between (1) the Company, (2) the Directors, (3) Jefferies, and (4) Xeros Limited further details of which are set out in paragraph 13.1 of Part V of this document
“Placing Price”	123 pence per Placing Share
“Placing Shares”	the 22,422,579 Ordinary Shares to be issued by the Company pursuant to the Placing
“Prospectus Directive”	EU Directive 2003/71/EC (as amended) and including any implementing measure in any EEA state
“Registrars”	Neville Registrars Limited
“SDRT”	stamp duty reserve tax
“Sea-lion”	Jiangsu Sea-lion Machinery Group (Corp.) a company registered in China, number 320582000105592
“Securities Act”	the United States Securities Act of 1933, as amended
“Shareholders”	holders of Ordinary Shares
“TIDM”	tradable instrument display mnemonic
“UK Listing Authority”	the United Kingdom Listing Authority of the Financial Conduct Authority, acting in its capacity as the competent authority for the purposes of Part VI of FSMA
“uncertificated” or “in uncertificated form”	Ordinary Shares 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
“US”	the United States of America
“US Person”	has the meaning given to it in Regulation S under the Securities Act
“VAT”	UK Value Added Tax
“VCT”	Venture Capital Trust

“Xeros Inc”

Xeros Inc a corporation incorporated in Delaware

“Xeros Limited”

Xeros Limited a company incorporated in England and Wales with registered number 5933013

“Xeros Ordinary Shares”

ordinary shares of £0.25 each in the capital of the Company, each of which will be redesignated as Ordinary Shares on Admission

Note: any reference to any provision of any legislation includes any amendment, modification, re-enactment or extension of it. Words importing the singular include the plural and vice versa and words importing the masculine gender shall include the feminine or neuter gender.

PART I

INFORMATION ON THE GROUP

1 Introduction

Xeros has developed a patented polymer bead cleaning system with multiple identified potential commercial applications. The Group has targeted the commercial laundry market and has begun the roll-out of 25kg capacity washing machines which exclusively use Xeros's patented polymer bead cleaning system. In trials with customers, this system has been shown to achieve superior cleaning performance as well as material reductions in water, energy and chemical usages compared to conventional commercial laundry methods. The Xeros proprietary polymer bead cleaning system also reduces the carbon footprint of the entire laundry process. In addition to the commercial laundry market, the Group's polymer bead technology has a range of potential applications in other industries including domestic laundry, leather processing, garment finishing and metal cleaning. The Group is currently in various stages of development and preparation for commercialisation of other identified applications, the most advanced of which is domestic laundry.

Admission and the net proceeds of the Placing received by the Group is expected to allow it to accelerate roll-out in commercial laundry and to fund the research and development process through to commercialisation in other identified applications, not least in domestic laundry.

2 History and Background

Xeros Limited was incorporated in September 2006. The focus of Xeros Limited has been the development and commercialisation of years of research by Professor Stephen Burkinshaw at the University of Leeds into textile dyeing and the use of polymer beads for cleaning various substrates. On 19 December 2012, Xeros Inc. was incorporated in Delaware as a wholly-owned subsidiary of Xeros Limited.

Xeros Technology Group plc was incorporated as a private limited company on 10 September 2013 and became the holding company of Xeros Limited on 17 March 2014 pursuant to a share-for-share exchange. The Company was re-registered as a public limited company on 18 March 2014. To date, the Group has raised in excess of £15 million from investors, including IP Group, the Entrepreneurs Fund, Invesco and Enterprise Ventures. Most recently, the Group raised £10 million from new and existing investors in March 2013.

The Group's research and development and its UK commercial operations are based at its Rotherham site, where it has a total of 35 staff (as at 31 January 2014). US commercial operations are based at its site in Manchester, New Hampshire with a total of eight staff (as at 31 January 2014).

The Company has filed a total of 27 patent families (as at January 2014) relating to various aspects of its polymer bead cleaning system. The core process patent has been granted in seven jurisdictions in total (including Europe and, in May 2013, China and Japan). The patent covers the use of a wide range of reusable polymer beads to clean multiple substrates including textiles, synthetic fibres, plastics, leather, metal, glass, paper, cardboard and wood in a process which requires only limited quantities of water and which is free of organic solvents.

The first commercial installation of a Xeros washing machine was completed in the UK in July 2011 and in the US in September 2012. Currently, the Group has 31 installed/committed to be installed machines in the US, UK and EU and management estimates a total of 149 machines installed by 31 December 2014. In June 2013, Xeros signed a manufacturing agreement with Sea-lion, the largest manufacturer of commercial washing machines in China, to manufacture Xeros machines for global distribution.

Alongside the commercial laundry roll-out strategy, the Group has developed, and is executing, a strategy to enter the domestic laundry market. The Group's research and development team has developed a beta prototype matched pair laundry washer and separate drying machine suitable for the US domestic market. The Group has begun discussions with various global domestic washing machine manufacturers, including the largest global manufacturer of domestic washing machines. To accelerate development of its distribution strategy in the US, the Group is also in discussions with one of the largest appliance retailers in the US to develop a launch strategy for the US domestic laundry market.

While focusing on developing its products to the point of commercialisation for certain commercial and domestic laundry markets, the Group has continued to invest in research and development of its core bead technology. In April 2013, the Group signed a joint co-operation agreement with BASF to develop 'Gen II' polymer beads with enhanced performance capabilities. In addition, the Group entered into an agreement with the University of Northampton in November 2013 to develop its polymer bead cleaning system for use in the leather processing industry.

3 Overview of Xeros's Polymer Bead Cleaning System and Technology

The Xeros polymer bead cleaning system is characterised by replacing the majority of the water used in an existing conventional cleaning process with reusable and recyclable polymer beads. These polymer beads clean substrates through a combination of the following mechanisms:

Mechanical Action: Mechanical interaction between polymer beads and the substrate whereby a small amount of water lubricates the motion of the bead across a surface resulting in the bead agitating a washload more uniformly, than when compared to a conventional laundry process, and removing stains by physical contact.

Attraction or "Adsorption": Attraction of a stain to the surface of the polymer bead through ionic interaction, hydrogen bonding and/or by other weak physical interactions in the bead surface due to the polar structures along the backbone and ends of the polymer beads.

Absorption: The molecular structure of the polymer beads promotes the diffusion of stain molecules into interstitial spaces within the bead structure, absorbing stains. Absorption is beneficial in reducing redeposition, a process whereby removed stain and/or vagrant dye redeposit onto the fabric surface, as it locks the stain and/or dye into the polymer structure.

In removing stains and dirt both chemically and mechanically, the Group's polymer beads have been shown to provide highly effective cleaning performance whilst significantly reducing the consumption of water, energy and chemicals throughout the cleaning process. The Group's polymer bead cleaning system can be applied to a range of both soft and hard substrates across multiple applications.

The Group has developed its washing machines based on existing conventional washing machine technology, with modifications to introduce its polymer beads into the wash process. In a 25kg washing machine for use in commercial laundry, approximately 1.5 million polymer beads are held within a wet sump at the base of the machine. The polymer beads are introduced into a wash by being mixed with a small amount of water and then pumped through a proprietary separation device into the washing drum. The majority of the water used to transport the polymer beads is filtered back to the sump directly from the separation device – and so does not enter the drum. During the wash cycle, the polymer beads drop through to the sump to be recycled into the wash process. At the conclusion of the wash cycle, virtually all the polymer beads that remain in the drum are then removed from the drum to the sump through a sequence of spins of varying speed during the rinsing stage of the process. The polymer beads used are inert and heat resistant, which means that on the occasions where a small amount of polymer beads remain with the washload, the fabrics concerned suffer no damage in further pressing or ironing. The polymer beads are capable of being reused for hundreds of washes and are then capable of being recycled back into the polymer supply chain.

4 Applications and Market Opportunity

The Group has initially targeted the commercial laundry market for the reasons explained in section 6 of this Part I. Alongside this, the Group has also continued to develop uses for Xeros's reusable polymer bead cleaning system in other markets and applications. As a result of the Group's ongoing research and development, the Directors believe that this system has multiple commercially viable applications with the potential to transform industries globally through its disruptive technology.

Commercial Laundry

Xeros is targeting the commercial laundry market in the US, the UK, Europe and China with a business model founded on an integrated equipment and service package marketed under Xeros Sbeadycare™.

The global commercial laundry machine market installed base is estimated to be approximately \$18 billion, of which the US comprises c.\$6 billion. Within the US, the annual machine replacement market is c.\$0.6 billion based on an average equipment useful life of approximately 10 years. The Group's initial focus is on achieving a material share in the replacement market for 25kg machines within the on-premise laundry market segment. In the US, this market comprises approximately two fifths of the total commercial laundry market, with the balance being self-service. Within this on-premise market, the Group is initially focused on the retail dry cleaning, hotel and lodging and industrial laundry segments, which together comprise approximately 60 per cent. of the total on-premise laundry market segment by number of washers, and are the main users of 25kg machines. In establishing its market position, the Group is promoting the Xeros Sbeadycare™ service model to customers, which offers an integrated equipment and service package under a minimum five year contract providing a machine, polymer beads, detergent and maintenance. Further details on the Xeros Sbeadycare™ model are set out below in section 6 of this Part I.

Domestic Laundry

To date, the Group's research and development has been focused on utilising the know-how and technology generated from the work the Group has undertaken in the commercial laundry market to address the differing demands of other markets, not least the domestic laundry market. This has resulted in the development of a beta prototype matched pair laundry washer and separate drying machine for the US domestic laundry market.

The market opportunity in domestic laundry is significantly greater than in commercial laundry. In 2009, the Directors estimate the annual sales of appliances were approximately \$40 billion, with an additional \$65 billion of expenditure on detergents and other consumables. In 2012, the US market for domestic laundry appliance sales comprised 11.9 million units, which is expected to rise to 13.2 million units per annum by 2017¹. In the UK the market comprised 3.6 million unit sales² in 2012 which is expected to rise to 3.7 million units² per annum by 2017. In China the market comprised 28.0 million unit sales in 2012 and is expected to rise to 38.2 million units per annum by 2017³.

Leather Processing

The existing water and chemical-intensive process in the preparation and tanning of leather presents an opportunity for the commercial application of Xeros's polymer bead cleaning system to reduce water, chemical, dye and effluent costs, as well as to improve leather quality. The Directors believe there are numerous potential applications in the processing of leather including in the automotive, home furnishings and footwear industries.

Garment Finishing

Xeros's polymer bead cleaning system can be applied to the manufacturing process of textiles and garments, both cotton and wool, to remove yarn lubricant, shrink the fabric and achieve the required level of finish. Trials conducted by the Group with a major garment manufacturer have demonstrated significant water and effluent savings compared to conventional processing techniques.

Metal Cleaning

In addition to soft substrates, Xeros's polymer bead cleaning system can be applied to hard substrate processes. For instance, this has been demonstrated in the use of Xeros bead cleaning in metal can production, in particular for the removal of grease and other residue from metal cans prior to lacquering.

5 Business Model and Strategy

The Directors' objective is to create value through commercialising the Group's patented polymer bead cleaning system across multiple applications. In each of the potential target markets, the Directors see opportunities for the Xeros polymer bead cleaning system to create value across a number of potential revenue streams. The supply of polymer beads is at the core of each application, but there are also other potential revenue streams from detergent formulations, machines and the provision of service and maintenance. In addition, the Directors believe that the potential re-sale of polymer beads after use back into the polymer supply chain, for example to automotive manufacturers, could provide further revenue.

In the commercial laundry market, the Group will seek to 'own' the customer and control each of the potential revenue streams by providing its Xeros Sbeadycare™ service model, comprising an integrated equipment and service package. To implement this service model, Xeros will establish an operational infrastructure that could also support subsequent products and applications. The Directors believe that this will enable the Group to effectively manage the development of the market for its polymer bead cleaning system. Xeros Sbeadycare™ will also enable the Group to build awareness of the product and drive brand recognition.

In other applications of the polymer bead cleaning system, the Group intends to license the production, distribution and marketing of relevant machines and detergents to partners. The Group will continue to supply its polymer beads as a branded ingredient into those application areas. The Directors expect the Group will look to enter into agreements with partners under which the Group will benefit from the expertise, scale and global reach of such potential partners.

1 MINTEL Home Laundry Appliances – US 2013

2 MINTEL Home Laundry Appliances – UK 2013

3 MINTEL Home Laundry Appliances – China 2013

6 Commercial Laundry

The Directors have identified a number of reasons for introducing the Xeros polymer bead cleaning system initially into the commercial laundry market:

- it is a mature market with potential for only limited incremental efficiency in the absence of a disruptive technology such as the Group's polymer bead cleaning system;
- the commercial laundry market is fragmented with limited supplier concentration, thus presenting an opportunity for the Group to more rapidly establish a market presence;
- it is a market in which customers commonly source machines and consumables from different vendors, which presents an attractive backdrop against which to market the Xeros Sbeadycare™ consolidated proposition; and
- it is a market in which customers are often highly sensitive to the cost of water, consumables and energy, all of which the Group's offering seeks to address.

Potential key benefits of the Xeros polymer bead cleaning system

The Group has already been able to demonstrate to customers the key benefits of the Xeros polymer bead cleaning system. These include superior cleaning performance; less water usage; less energy usage; less chemicals usage; extended garment life; potential access to energy efficiency incentives; a high standard of environmental regulatory compliance and a compelling customer value proposition. Further details on each of these are set out below:

Superior cleaning performance: The Xeros polymer bead cleaning system has been demonstrated by customers to deliver superior stain removal when compared to conventional laundry methods. In addition customers have shown that Xeros's polymer bead cleaning system results in improved fabric care and less creasing of washed fabrics when compared with the less uniform and more aggressive agitation of aqueous washing techniques.

Less water usage: The Xeros polymer bead cleaning system is characterised by replacing the majority of the water used in an existing conventional cleaning process with reusable polymer beads. This results in a significant reduction in water usage in the laundry process. Customer data demonstrates water savings of up to 80 per cent. when compared to existing conventional laundry processes.

Less energy usage: Customer data has shown up to 50 per cent. less energy usage by the operator when compared to existing conventional laundry processes. Reduction in energy usage comes from the ability of the bead cleaning system to achieve similar cleaning performance at lower temperatures, hence lowering heating energy usage.

Less chemicals usage: Customer data has shown that up to 50 per cent. less detergent is required in the Xeros polymer bead cleaning system when compared to existing conventional laundry cleaning processes.

Extended garment life: Customers have found that the Xeros polymer bead cleaning system leads to longer lasting colours on fabrics as a result of lower temperature cleaning, in combination with the absorptive qualities of the polymer beads in removing stains and vagrant dye and a requirement for less detergent than in existing conventional laundry techniques.

Energy efficiency incentives: Customers in certain US states are able to apply for financial incentives to install energy efficient machines supported by the Federal Energy Management Program's Energy Incentive Program. The Xeros 25kg washing machine has already been evaluated for energy efficiency incentives in the US through the Liberty Utilities ("Liberty") Natural Gas Energy Efficiency Program. Liberty is a regulated water, natural gas and electric transmission and distribution utility company with over three hundred thousand customers, operating in Arizona, Arkansas, California, Georgia, Illinois, Iowa, Massachusetts, Missouri, New Hampshire and Texas.

This evaluation included the metering of energy and water usage by a Xeros washing machine compared to an industry standard machine. Liberty offers a rebate of the project cost equivalent to 50 per cent. of the purchase, installation and first year support costs of a Xeros machine where a customer is replacing existing equipment before it reaches the end of its useful life or does not need to be replaced. Alternatively Liberty offers a financial incentive equivalent to 75 per cent. of the incremental cost of the Xeros machine against a standard machine where a customer is installing equipment in a new building or where it is replacing a machine which has passed its useful life.

The Directors expect further US utility companies to assess Xeros machines for energy incentive program eligibility (and the Group is in active discussions with a number of such companies).

High standard of environmental regulatory compliance: A key focus of governments worldwide is energy conservation. In the European Community an energy label is required on new household products, including washing machines and tumble dryers. Similar initiatives are found in other international markets, including the US Environment Protection

Agency (“EPA”) program, Energy Star, which aims to assist businesses and individuals in saving money and protecting the climate through superior energy efficiency. In order to earn the Energy Star label, products must be third-party certified based on testing in EPA-recognised laboratories.

While a European energy label based on an energy efficiency index was introduced in 2010 for domestic laundry machines, a European standard and accompanying compulsory labelling is now expected to be implemented across commercial laundry machines in 2015. This will require increased transparency from machine manufacturers and provide a cleaner measure of the efficiency of machines for customers. The Directors believe the rating of the Xeros commercial laundry machine will be a further attraction for potential customers. Xeros’s machines provide its customers with a point of differentiation with their own customers as a result of their high standard of environmental regulatory compliance.

Compelling customer value proposition

The Group’s strategy in commercial laundry is to provide an integrated equipment and service package marketed as Xeros Sbeadycare™, in which the customer contracts directly with the Group for the provision of a machine, polymer beads, detergent and maintenance for a fixed annual cost under a minimum five year contract. The Directors believe that this model of service delivery is attractive to commercial laundry customers providing a comprehensive service offering, underpinned by clear cost and cleaning benefits.

The Directors estimate that the cost to a customer of a Sbeadycare™ five year contract is broadly equivalent to the cost to a customer of acquiring and running an existing premium-end conventional 25kg washing machine over the same five year period, assuming that the customer is operating with average machine usage and incurs an average charge for its detergent, energy and water/sewer usage⁴.

The Directors believe that the Xeros Sbeadycare™ package also provides customers with a number of additional benefits: superior cleaning standards; longer fabric life; a consolidated service proposition; and the potential for attractive financial incentives from utility companies supported by Energy Incentive Programs. In addition, Xeros is targeting industries in a number of regions in the US where customers incur higher than average water and energy costs and are operating at higher than average machine usage; this presents opportunities for customers to achieve greater cost savings through adopting Sbeadycare™ as opposed to running a conventional washing machine over the same period.

With a typical useful life of approximately 10 years for a washing machine, the Sbeadycare™ contract also offers customers the potential to accrue further savings on detergent, water and energy costs (including providing a hedge against the inflationary impact of rising water and energy prices) beyond the initial five year contract period through the ongoing ownership of a Xeros washing machine. This provides an added incentive for existing customers to renew Sbeadycare™ contracts. In addition, the Directors believe that the combination of potential financial incentives available from utility companies, the cost savings available to higher usage customers and the additional benefits of the Xeros bead cleaning system provide an attractive economic proposition for potential customers to move to a Sbeadycare™ contract ahead of the end of the useful life of their existing conventional machines.

The Directors expect the supply of polymer beads, detergent and maintenance services to be able to generate gross margins for the Group comparable with higher-end consumer/household products. The overall gross margin of Xeros Sbeadycare™ package is expected to increase over time as the benefits of efficiencies in the purchasing of machines, their transportation and installation and post-installation customer service provision are realised with increased volumes and the development of the Group’s service network.

The Directors believe that there will be opportunity over time to further enhance gross margins as the Group demonstrates the benefits of the Xeros Sbeadycare™ platform to its customers through reductions in linen expenditure, management time, labour and maintenance costs. In addition, customers should benefit from the further development of Xeros’s polymer beads, as currently evidenced in the research being conducted with BASF into Gen II beads, which the Directors believe provides an opportunity for the Group to further enhance gross margins over time.

The Company plans to enhance its proposition to customers through the launch of platform capabilities including Xeros Sbeadycare™ Pulse, a service providing utility and rebate data for customers, and Xeros Sbeadycare™ Connect, a remote diagnostic tool that will give the customer and Xeros real-time data on machine performance and operational costs aimed at optimising the efficiency of a customer’s laundry system. Sbeadycare™ Pulse and Sbeadycare™ Connect will give customers the ability to assess the quantum of their savings under the Sbeadycare™ contract over time, providing for further evidence to customers of Xeros’ compelling value proposition.

⁴: average customer pays US average utility costs and machine usage of 600 lbs per day

Further development of commercial laundry bead technology and machines

To date, the benefits of the Group's beads have been based on beads composed of certain polymer types ("Gen 1" beads). In April 2013, the Group signed a co-operation agreement with BASF to undertake research into progressing the bead composition beyond "Gen 1" beads in order to further improve overall polymer bead performance and produce a range of different effects, including:

- beads to carry chemical functionality into the wash, which may thereby enable lower levels of detergent use;
- beads with enhanced benefits to "Gen 1" beads but which dissolve into the wash over a period of time;
- super-absorbent beads aimed at eliminating the requirement to sort clothes before washing; and
- beads that incorporate anti-microbial agents to enhance hygiene.

Under the terms of its agreement with BASF, the Group will own all of the intellectual property in any machines or processes developed and BASF will own the underlying intellectual property in any polymers developed, which will be licensed to the Group.

The Group intends to develop lighter and heavier load machines to address a broader range of customer requirements in the commercial laundry sector.

7 Domestic Laundry

In parallel with the Group's strategy in commercial laundry, the Group has developed a beta prototype matched pair laundry washer and separate drying machine suitable for the US domestic laundry market. After three years of development, the prototype has demonstrated superior cleaning performance as well as reduced water and energy usage compared to conventional domestic washing machines. The prototype is able to achieve highly effective polymer bead removal, which the Directors view as a key factor with potential customers to promote substitution from conventional domestic matched pair laundry washer and separate drying machines.

The Directors believe that the Xeros matched pair laundry washer and separate drying machine will provide an attractive customer proposition combining superior cleaning, cost savings and environmental benefits. The Group commissioned an independent Life Cycle Assessment Report in January 2014 to review the effect of the Group's polymer bead cleaning system. This report demonstrated that the Group's system may reduce the carbon footprint by 44 per cent. over its life cycle compared to conventional cleaning methods.

In order to address the domestic laundry markets in the US, UK and China, the Group is seeking to enter into a number of commercial partnerships for the supply and distribution of domestic appliances. In contrast to the full service offering for customers in commercial laundry, the Board currently plans to adopt a royalty model in domestic laundry where the Group licenses out its polymer bead cleaning system and machine design to corporate partners as well as merchandising support from retail partners. The supply of polymer beads will continue to be controlled by the Group and the beads will be Xeros branded.

The Group has begun discussions with various domestic washing machine manufacturers, including with the largest global manufacturer of domestic washing machines with which it is in continuing discussions following the entry into a Memorandum of Understanding in October 2013. To accelerate market penetration of its distribution strategy in the US, the Group has also been in discussions with one of the largest appliance retailers in the US to develop a launch strategy for the US domestic laundry market.

8 Other Applications beyond Laundry

Leather Processing

The Group has completed a feasibility study with The University of Northampton using polymer bead technology, instead of existing processes, in the preparation, tanning and dyeing of leather. The study demonstrated that by using the Group's polymer bead cleaning system the following benefits were achieved compared to existing processes: water savings of 75 per cent; chemical savings of 25 per cent; dye savings of 50 per cent. and potentially better leather quality. The Xeros polymer bead cleaning system may also achieve no hazardous effluent from the tanning stage, thus avoiding the need for effluent processing prior to discharge. In November 2013, the Group set up a facility at the Institute for Creative Leather Technologies at The University of Northampton to conduct further research and development. The Group has filed a patent family specifically covering the use of its polymer bead technology in leather processing.

The Group is currently in early stage discussions with several major end users of leather and tanneries in the automotive, footwear and furniture industries to further develop and adapt the Xeros polymer bead cleaning system for leather processing. The Directors believe that the Group may be able to create value by selling or licensing the Group's polymer bead technology to leather producers and/or machine manufacturers.

Garment Finishing

The Xeros polymer bead cleaning system can be applied to the manufacturing process of textiles and garments to remove yarn lubricant, shrink the garment and develop the required level of finish. In trials conducted with a major garment manufacturer, the Xeros polymer bead cleaning system was demonstrated to have 75 per cent. water and effluent cost savings and up to 50 per cent. chemical savings compared to conventional processing techniques, with a good quality of finished garment.

Xeros has recently accepted an invitation to become a member of the Sustainable Apparel Coalition, working with significant industry participants to lower the environmental impact of the apparel manufacturing and supply process.

Metal Cleaning

In addition to soft substrates, Xeros polymer bead cleaning technology can be applied to hard substrate processes. Xeros's polymer bead cleaning has been applied in metal can production, in particular to remove grease or other residue from cans prior to lacquering. In trials conducted with a potential commercial partner, a 75 per cent. reduction in water and effluent compared to conventional cleaning techniques was achieved as well as the elimination of environmentally hazardous by-products from the process.

9 Competitive Positioning

The Directors are not aware of the current development of any polymer bead cleaning system competing with that of the Group, although a number of third parties have made patent applications in related areas. In the commercial and domestic laundry industries, the Directors believe that the Group's offering principally faces commercial competition from existing manufacturers of laundry machines and consumables. The Directors believe that this competition is likely to include the marketing of reduced energy and water claims for current machines or for future products and the offering of premium products engineered to achieve higher energy efficiency.

There are also a number of methods seeking to generate marginal efficiencies on existing technologies in the conventional laundry process that can be considered as competitive with the Group's offering. These include:

- technologies to introduce additives and detergents to a wash process that seek to reduce water temperature or washing time, which includes introducing ozone to the water;
- recycling of water on premises;
- initiatives to use salt water in wash processes;
- the use of low temperature detergents; and
- greater calibration between wash load and utility consumption.

Notwithstanding the potential developments listed above, trials with customers have shown that the Group's machine technology and polymer bead cleaning system compares favourably to the efficiencies currently offered by these competitor machines in commercial and domestic laundry.

The Directors believe that the Group's polymer bead cleaning system provides customers with a more comprehensive and compelling proposition of savings, efficiencies and quality improvements than any of these alternatives are able to offer in isolation.

Beyond the laundry industry, the Directors are not aware of any particular single technology or process that a competitor has either developed or is developing that addresses the breadth of markets that the Group is able to address nor of any individual product or process within those markets that provides the benefits that the Group has been able to demonstrate in trials with customers thus far.

10 Intellectual Property

The Group actively seeks to develop, extend and protect the value of its intellectual property. Accordingly, the Group's patent protection strategy is designed to defend Xeros's polymer bead cleaning system and enhance the commercial value of the products and applications it identifies and develops. The Group's key intellectual property rights can be broadly categorised as patent applications and proprietary know-how and trade secrets.

As at 31 January 2014 the Xeros patent portfolio comprised 27 patent families 'pending' and 'granted', which cover bead cleaning technology in applications from commercial and domestic laundry through to leather and wool processing, as well as metal surface treatments. The main patent family covers the core process of using polymer beads to clean substrates in an organic solvent-free environment. The application has been granted in key jurisdictions including Europe as well as a number of Asian countries such as China and is pending in the US, where the application

has a priority date of April 2006 and is being considered by the US Examiner following further submissions made by the Group in 2012. The majority (23) of the patent families pending and granted cover laundry processes. The Xeros intellectual property strategy has been to develop layered protection of its overall polymer bead cleaning system. Xeros has its own in-house patent attorney to help manage and execute its patent strategy and portfolio.

Core polymer bead process and commercial laundry intellectual property

The Xeros polymer bead cleaning system was first patented in April 2006, when the 'Core Process' application was filed. This covered the interaction of multiple polymer bead types with multiple substrates, with an emphasis on textiles. The key feature of reusing the polymer beads in subsequent cleaning cycles was also claimed. The Group has further protected the benefits of its polymer bead cleaning system by covering each element of the overall system – process, polymer bead, machine and detergent. Filings for three different machine types were made in 2009 and 2010, along with a method for improving detergent usage. Two of these machine types have been kept on file to become 'blocking' applications (to prevent competitors from using such machines), with the 'Flow Through Machine' becoming the preferred embodiment.

In 2010, the first primary filing was made to protect new polymer bead formulations designed to prevent bacterial growth at the bead surface. The second filing covered extending bead lifetime by intermittently cleaning the beads.

The Group has subsequently further strengthened its primary and blocking intellectual property. Secondary protection on the process was generated with a narrower application on the detailed parameters used within the 'Flow Through Machine'. This marked the first use within the overall Group intellectual property strategy of secondary protection, where selected inventions focus in on specific areas within broader initial applications. 'Non-polymeric Mechanical Action' was also added as secondary protection on the process, describing the possible use of non-polymeric beads either alone or as a blend with polymeric beads.

More primary protection on the bead formulations followed in 2012 based on developments controlling the polymer bead surface chemistry to enable detergent components to be better carried onto substrates. The use of single or multiple wash consumable polymer beads to dose in additives was also protected. These primary applications covered polymer beads designed to be added to the main bead load.

In 2012, the Group applied for secondary patent protection on the machine in the form of a new design for bead and spray water addition to allow these to occur without the need to enter through the machine front door. The Group also filed for secondary protection for the detergent, covering the improved stability of enzymes in the Group's tailored formulations.

Additional domestic laundry intellectual property

The development of the Group's domestic machine has created further primary intellectual property. Overcoming the challenges presented by compacting the 'Flow Through Machine' down to a much smaller machine footprint has given rise to seven of the Group's primary patent families, covering the storage and transport of polymer beads through the system.

The need for highly effective bead separation at the end of the washload has also been addressed with the development of a dryer/separator for the US domestic laundry market and the development of new wash cycles for the process, in relation to which patent applications have been made. The Group's domestic laundry technology has also been covered for non-US footprint domestic machine sizes through patent applications.

Intellectual property in applications beyond laundry

The Group has generated further intellectual property either as spin-offs from ideas in laundry or from the first inventions in applications beyond laundry. For the former, secondary protection on the process has been filed in 'Sealed Container Process', where cleaning in a container spun in a dryer can give effective results with delicate and water sensitive items. In addition, 'Improved Drying Method' is a primary laundry application covering the use of polymer beads in a dedicated Xeros dryer (as opposed to the matched pair laundry and separate drying machine referred to earlier). This provides the basis for a new machine technology platform for the future.

The Group's primary applications in relation to leather and wool processing currently comprise a 'Method for Treating an Animal Substrate' patent application and three applications for the cleaning and treatment of metal surfaces. The first covers leather and wool processing, and work on those substrates is expected to generate further filings, whilst the other three cover metal treatment processes relevant to packaging, automotive, aerospace and other applications.

The tables below summarise the Group's patent portfolio as at 31 January 2014 by application type, as well as setting out a timeline of portfolio growth since 2006 (based on priority filing dates).

IP CLASS	PROCESS	POLYMER BEAD	MACHINE	DETERGENT	OTHER LAUNDRY	BEYOND LAUNDRY
PRIMARY	'Core Process' WO 2007/128962	'Antibacterial Beads' WO 2012/035343	'Flow Through Machine' WO 2011/098815	'Multidosing Detergent' WO 2011/128680	'Matched Pair Dryer' GB 1305121.4	'Method for Treating an Animal Substrate' GB 1306607.1
	'Bead Cleaning' WO 2012/035342	'Bead Surface Chemistry' PCT/GB2013/051795	'Bead Storage' GB 1305122.2		'Improved Drying Method' WO 2012/098408	'Metal Cleaning' GB 1312159.5
	'Improved Wash Process' GB 1319782.7	'Effect Beads 1' GB 1312189.2	'Bead flow Control' GB 1305120.6			'Metal Passivation' GB 1312158.7
		'Effect Beads 2' PCT/GB2013/051796	'Domestic Bead Separator' GB 1317557.5			'Metal Apparatus' GB 1312160.3
			'Flow Maintenance Device' GB 1317558.3			
			'ROW Washer' GB 1320784.0			
SECONDARY	'Polymeric Mechanical Action' WO 2012/056252		'Machine Fixed Plate' PCT/GB2013/052539	'Detergent Stability' GB 1321753.4		
	'Non-polymeric Mechanical Action' WO 2012/095677					
	'Sealed Container Process' WO 2010/128337					
BLOCKER			'Drum in Drum Machine' WO 2010/094959			
			'Skin-on Skin-off Machine' WO 2011/064581			
TOTALS	<u>6</u>	<u>4</u>	<u>9</u>	<u>2</u>	<u>2</u>	<u>4</u>

	2006	2009	2010	2011	2012	2013
NUMBER OF FILINGS	1	3	5	2	3	13
CUMULATIVE	<u>1</u>	<u>4</u>	<u>9</u>	<u>11</u>	<u>14</u>	<u>27</u>

Other intellectual property

Xeros has filed trademarks for registration in relation to the 'Xeros' and 'Sbeadycare' names, logos and graphics. Xeros also has the protection and control of the relevant domain names associated with Xeros Cleaning.

In relation to intellectual property developed by employees, under the terms of the employment agreements entered into by the Group, intellectual property and know-how developed by employees are the property of the Group.

The Group also seeks to protect its confidential information and intellectual property when dealing with its commercial partners and other third parties through the use of non-disclosure agreements and other relevant contractual arrangements.

11 Directors, Senior Management and Employees

The Board currently comprises the independent non-executive Chairman, three executive directors and three additional non-executive directors.

Executive Directors

Bill Westwater (aged 46), Chief Executive Officer

Bill joined Xeros as Chief Executive Officer in November 2008. Bill's earlier career was in international marketing (particularly China) with global corporates including P&G, Royal Dutch Shell and Hutchison Whampoa. Since 2004, Bill has held leadership positions in entrepreneurial SME's, especially in the clean-tech sector.

Chris Hanson (aged 55), Finance Director

Chris joined Xeros as Finance Director in February 2012. Chris has extensive experience as a Finance Director having held that position with a number of private and listed companies. Chris qualified as a Chartered Accountant with KPMG in 1982.

Steve Jenkins (aged 50), Chief Science Officer

Steve is a polymer physicist with over 20 years of experience in new product R&D. He joined Xeros in March 2009. His career to date with various blue chip corporations (including DuPont, INVISTA and ICI) has focused on novel polymer solutions. Over this time he has successfully commercialised new product developments in Europe, USA, India and the Far East. Steve is the author of multiple patents associated with these developments and heads Xeros's Research and Development team.

Non-executive Directors

John Samuel (aged 62), Chairman

John joined Xeros as Chairman in September 2011. John has previously held a number of senior finance positions and was formerly the CEO of the Molnlycke Health Care Group as well as a former partner with Apax Partners LLP. John is also the Non-Executive Chairman at Tissue Regenix Group plc, Frosunda Omsorg AB and Vernacare Group Limited.

Charles Winward (aged 44)

Charles was appointed to the Xeros board in October 2010. Charles is a director of IP Group plc, an investor in Xeros, having joined in April 2007 to manage investments in Top Technology Ventures, IP Group's venture capital fund management subsidiary. Charles previously worked at JPMorgan Chase & Co and as an investment manager at Axiomlab, an AIM-listed early stage investment specialist. Charles is a CFA charterholder, has an MBA from the University of California at Berkeley and a Bachelors Degree in Mechanical Engineering from the University of Bristol.

Julian Viggars (aged 46)

Julian was appointed to the Xeros board in June 2009. Julian is Head of Technology Investment at Enterprise Ventures, which, through its client funds, is an investor in Xeros. He was previously a Director of BioProjects International plc, an AIM-traded early stage technology fund and an Associate Partner with accountancy firm NCL Smith & Williamson in London.

Maciek Drozd (aged 40)

Maciek was appointed to the Xeros board in October 2013. Maciek is an investment manager at Entrepreneurs Fund, an investor in Xeros. Before joining Entrepreneurs Fund he was an analyst at Atlas Venture in Munich and an investment director at MCI Bioventures in Poland. Maciek holds an MSc in molecular biology from A. Mickiewicz University, and a PhD from Zentrum fuer Molekulare Biologie in Heidelberg. He also has an MBA from Said Business School in Oxford.

Senior management – Commercial Laundry

The Group has established a senior management team in commercial laundry, which collectively demonstrates experience in the commercial laundry sector, deployment of disruptive technologies into international markets and securing complex supply chains.

Commercial Laundry sales

Jonathan Benjamin (aged 37), President, Xeros Inc

Jonathan is responsible for the commercialisation and adoption of the Group's technology in North America. Prior to his role at Xeros, Jonathan was Managing Director of Envoy Services, a diversified management and holding company that owns a number of commercial laundry-related businesses located in the eastern United States. Jonathan began his career at GE Capital and was a participant in General Electric's leadership programme.

Joc Stuart-Grumbar (aged 56), International Development Director

Joc has spent a significant part of his career in market-leading businesses, notably Dyson and Diageo, where he has been responsible for developing and building brands, and establishing businesses, including in Italy, Spain and the USA for Dyson. More recently, Joc was Managing Director of Dyson in Beijing. Joc joined Xeros in July 2013 as International Development Director.

Commercial Laundry operations

Alex Hinkin (aged 46), Operations Director

Alex has a degree in Chemical and Bio Process Engineering from the University of Bath. Alex has board level and senior management experience across operations and commercial roles in food ingredients, fast moving consumer goods and medical devices for Unilever, ICI, London International Group, SSL International, Medlock Medical and Molnlycke.

Senior management - Research and Product Development

The Group's core research and development capability has been established to accelerate initial innovation through to end-product development stage, combining expertise in polymer science with experience in prototyping engineering products. Steve Jenkins, the Chief Science Officer, leads the polymer team and Simon Wells the engineering team. Reporting to Steve and Simon are nine scientists and five engineers. The research and development team is supported by Xeros's in-house patent attorney, Gordon Ellis.

Simon Wells (aged 40), Head of Engineering

Simon has a First Class Honours degree in Mechanical Engineering from the University of Bath. He also has a Post graduate Masters degree in Innovation Design Engineering from the Royal College of Art and Imperial College of Science Technology and Medicine. Simon has significant senior management experience in commercial global product development environments for Dyson, Acco Brands and Hozelock and in a consultancy environment with award winning product innovation consultancy PDD.

Gordon Ellis (aged 45), Intellectual Property and Licensing Manager

Gordon has a First Class Honours degree in Chemistry, together with a post graduate Masters degree in polymer science with distinction from the University of Lancaster. He has over 10 years of experience as a polymer scientist working for ICI, Zeneca and Avecia. Gordon then trained as a patent attorney and is a qualified European and UK patent attorney with over 10 years of experience in-house and in private practice. Gordon manages the Group's intellectual property portfolio including patents and trademarks.

12 Recent Events

Having achieved its first US commercial machine installation in September 2012 and seen its core process patent granted in Europe, the Group continued to develop its 25kg washing machine for the commercial laundry market along with the beta prototype matched pair laundry washer and separate drying machine for the US domestic laundry market. The Group has continued its significant progress during the past twelve months.

Significant events in the last twelve months have included the following:

- March 2013: completed a £10 million financing round with new and existing investors.
- April 2013: entered into a partnership with BASF under a joint development agreement to advance its science around bead cleaning technology and to develop Gen II beads.

- May 2013: core process patent granted in China and Japan.
- June 2013: signed an OEM agreement with Sea-lion in China for the manufacture of Xeros's 25kg commercial laundry machine.
- June 2013: 25kg commercial laundry machine launched at the Clean Show in the US.
- August 2013: prototype domestic laundry machine completed.
- October 2013: discussions initiated with commercial partners for the manufacture and distribution of domestic machines globally.
- October 2013: entry into a Memorandum of Understanding with the largest global manufacturer of domestic washing machines.
- November 2013: set up a facility at University of Northampton to develop the Group's bead technology for use in the leather processing industry.
- November 2013: awarded the Editor's Choice Award, Best New Product for Hotel Operations at the annual International Hotel, Motel and Restaurant Show in New York for the Xeros polymer bead cleaning system.
- December 2013: commenced provision of its services to two customers for the supply of three 25kg commercial laundry machines in the US, two of which are provided as Xeros Sbeadycare™ contracts.
- January 2014: selected as a finalist for the Edison Awards in the Commercial Resource Management category. The Edison Awards honour excellence in new product and service development, marketing, design and innovation.
- February 2014: signed up first customers to Xeros Sbeadycare™ Pulse services in the US and Canada.

13 Share Incentive Arrangements

The Board recognises the importance of ensuring that key employees and senior management of the Group are effectively and appropriately incentivised and their interests aligned with those of the Group.

To that end the Company will operate the New EMI Scheme to align the interests of senior management with those of the shareholders. Options may also be granted under the New Unapproved Scheme that do not satisfy the EMI qualifying conditions set out in Part 2 of Schedule 5 ITEPA. These options may be granted to non-executive directors and other consultants, as well as employees of the Company.

There are currently 14 participants in the Old EMI Scheme who hold outstanding options over a total of 25,369 Xeros Ordinary Shares, which will be converted into 4,228,167 Ordinary Shares on Admission. In addition, three individuals hold outstanding options that have been granted under the Old Unapproved Scheme over a total of 4,090 Xeros Ordinary Shares which will be converted into 681,666 Ordinary Shares at Admission.

In addition, the Board also proposes to implement a DAB plan for selected executive directors and senior management as determined by the Remuneration Committee. The plan will also include provisions to enable participation by non-employees and US resident individuals.

A summary of the Old Option Schemes, New Option Schemes and the DAB is set out in paragraph 7 of Part V of this document.

14 Reasons for the Placing and Use of Proceeds

The Directors believe that Admission will assist the Group in its development by:

- providing additional capital investment to fund growth and support the business going forward;
- demonstrating a strong balance sheet to potential customers, industrial partners and suppliers;
- providing a means of incentivising and retaining staff with equity incentives over publicly traded shares;
- raising the Group's corporate profile; and
- allowing wider access to capital should further finance be required.

The net proceeds of the Placing receivable by the Company of approximately £25.793 million are expected to be used as follows:

- working capital requirements to fund the growth of the commercial laundry business; and
- incremental research and development to support parallel development of other applications through to commercialisation, not least in domestic laundry.

15 Current trading and prospects

For the trading period since 31 July 2013, the Group has continued to record a significant trading loss, in line with the Board's expectations, with a corresponding reduction in net assets. However, while the Group will remain loss making until it can scale its revenues to exceed its operating and development costs, it recorded its first revenues in December 2013 from customers signed up to Sbeadycare™ contracts of at least five years in length. As part of the commencement of roll out of its offering in commercial laundry, the Group has also seen a subsequent increase in stock of its Xeros machines since 31 July 2013 and has significantly increased its investment in headcount within its commercial team in both the UK and US. This has resulted in a materially higher ongoing monthly cost base than previously seen in the year to 31 July 2013.

The funds raised in March 2013 have in part been applied to facilitate the roll out in the commercial laundry sector and, as at 31 January 2014, the Group had existing cash resources of £5.9 million compared with £8.5 million as at 31 July 2013.

With the net proceeds of the Placing of £25.793 million, the Group's cash balance as at 31 January 2014 (were the net proceeds to have been received on such date) would have been £31.693 million.

16 Dividend policy

The Group is primarily seeking to achieve capital growth for its shareholders.

It is the Board's intention during the current phase of the Group's development to retain future distributable profits from the business, to the extent any are generated. As a holding company, the Company will be dependent on dividends paid to it by its subsidiaries.

The Directors do not anticipate declaring any dividends in the foreseeable future but may recommend dividends at some future date, depending upon the generation of sustainable profits and the Group's financial position, when it becomes commercially prudent to do so.

The Board can give no assurance that it will pay any dividends in the future, nor, if a dividend is paid, what the amount of such dividend will be.

17 The Placing

The Placing comprises 22,422,579 Placing Shares to be issued by the Company at a price of 123 pence per Ordinary Share to raise £27.580 million (before expenses).

Jefferies has entered into the Placing Agreement with the Company, the Directors and Xeros Limited. Under the Placing Agreement, Jefferies has conditionally agreed, as agent of the Company, to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price and, to the extent that it is unable to secure such subscribers, to subscribe for those Ordinary Shares itself. The majority of the Placing Shares are being placed with institutional investors.

The Placing is conditional, inter alia, on Admission taking place on or before 25 March 2014 (or such later date as the Company and Jefferies may agree), but in any event not later than 1 April 2014 and on the Placing Agreement becoming unconditional and not being terminated prior to Admission.

The Placing Shares will be issued credited as fully paid and will, on Admission, rank *pari passu* in all respects with all other Ordinary Shares including the right to receive all dividends or other distributions declared, made or paid after Admission. The Placing Shares to be issued, by the Company pursuant to the Placing will represent approximately 34.5 per cent. of the Enlarged Share Capital. On Admission the Company will have a market capitalisation of approximately £80 million assuming 22,422,579 Ordinary Shares are issued at the Placing Price.

The Company, the Directors and Jefferies expressly reserve the right to determine, at any time prior to Admission, not to proceed with the Placing.

Further details of the Placing Agreement are set out in paragraph 13.1 of Part V of this document.

18 Lock-in and Orderly Market Agreement

The Locked-in Shareholders, who on Admission will be the holders of 45,804,860 Ordinary Shares in aggregate, representing 70.4 per cent. of the Enlarged Share Capital have (except in the case of Invesco) undertaken to the Company and Jefferies not to dispose of any interests in Ordinary Shares for a period of 12 months from Admission and for a further 12 months thereafter to deal in their Ordinary Shares only through Jefferies, for so long as they are brokers to the Company, with regard to maintaining an orderly market, except in certain limited circumstances. Invesco has agreed to such arrangements for a period of six months from Admission and for a further six months thereafter respectively.

Further details of these arrangements are set out in paragraph 13.4 of Part V of this document.

19 Admission, Settlement and CREST

Application has been made to the London Stock Exchange for all of the Existing Ordinary Shares (as converted into Ordinary Shares on Admission) and the Placing Shares to be admitted to trading on AIM. It is expected that Admission will become effective, and that dealings in the Enlarged Share Capital will commence, at 8.00 am on 25 March 2014.

The Articles permit the Company to issue Ordinary Shares in uncertificated form in accordance with the CREST Regulations. CREST is a computerised share transfer and settlement system. The system allows shares and other securities to be held in electronic form rather than paper form, although a Shareholder can continue dealing based on share certificates and notarial deeds of transfer. For private investors who do not trade frequently, this latter course is likely to be more cost-effective. The Company has applied for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in Ordinary Shares held in uncertificated form following Admission will take place within the CREST system.

It is expected that definitive share certificates will be despatched by first class post to those Shareholders whose entitlements are to be dealt with outside CREST at the risk of the person entitled thereto by 7 April 2014 or as soon thereafter as is practicable and that the CREST accounts in respect of those Shareholders who have requested that their entitlements are dealt with inside CREST will be credited on or before 25 March 2014.

20 Corporate Governance and Board Practices

The Directors intend to take account of the requirements of the Corporate Governance Code for Small and Mid-Size Quoted Companies 2013 published by the Quoted Companies Alliance to the extent that they consider it appropriate and having regard to the Company's size, board structure, stage of development and resources. It is the intention over time to evolve the Board to one with the independence expected of a company the shares of which are admitted to trading on AIM. In conjunction with this, the Board committee structure will be evolved towards best practice.

The Company will hold regular board meetings. The Directors will be responsible for formulating, reviewing and approving the Company's strategy, budget and major items of capital expenditure. The Directors have established an audit committee and a remuneration committee with formally delegated rules and responsibilities. Each of these committees will meet at least twice each year. The Board will undertake those functions normally associated with a nominations committee.

Immediately post Admission, the audit committee will comprise Charles Winward, as chair of the committee, and John Samuel. The audit committee will, *inter alia*, determine and examine matters relating to the financial affairs of the Company including the terms of engagement of the Company's auditors and, in consultation with the auditors, the scope of the audit. It will receive and review reports from management and the Company's auditors relating to the half yearly and annual accounts and the accounting and internal control systems in use throughout the Group.

On Admission, the remuneration committee will comprise John Samuel, as chair of the committee, and Julian Viggars. The remuneration committee will review and make recommendations in respect of the Directors' remuneration and benefits packages, including share options and the terms of their appointment. The remuneration committee will also make recommendations to the Board concerning the allocation of share options to employees under the New Option Schemes and assess the performance conditions attaching to the DAB.

21 Share Dealing Code

The Company will, with effect from Admission, adopt a share dealing code for the Directors and certain employees, which is appropriate for a company whose shares are admitted to trading on AIM (particularly relating to dealing during close periods in accordance with Rule 21 of the AIM Rules) and the Company will take all reasonable steps to ensure compliance by the Directors and any relevant employees.

22 EIS and VCT Taxation Relief

The Company has received provisional approval from HMRC that the Placing Shares are capable of being a “qualifying holding” for the purpose of investment by a VCT or EIS.

23 Taxation

Information regarding taxation is set out in Part IV of this document.

Any person who is in any doubt as to their tax position or who are subject to tax in jurisdictions other than the UK are strongly advised to consult their own independent financial advisor immediately.

24 The City Code

The City Code applies to quoted public companies and, in addition, unquoted public companies whose central management and control remain in the UK. Accordingly the City Code applies to the Company. Under the City Code, if an acquisition of Ordinary Shares or interests therein were to increase the aggregate holding of the acquirer and its concert parties to interests in shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on circumstances, its concert parties would be required (except with the consent of the Panel) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for interests in shares by the acquirer or its concert parties during the previous 12 months.

This requirement would also be triggered by any acquisition of Ordinary Shares or interests therein by a person holding (together with its concert parties) shares carrying between 30 per cent. and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person’s percentage of the total voting rights in the Company.

Further information on the City Code is set out in paragraph 5 of Part V of this document.

25 Further Information

You should read the whole of this document which provides additional information on the Company and the Placing and not rely on summaries or individual parts only. Your attention is drawn, in particular, to the Risk Factors set out in Part II of this document and the additional information set out in Part V of this document.

PART II

RISK FACTORS

An investment in the Ordinary Shares involves a high degree of risk. Accordingly, prospective investors should carefully consider the specific risks set out below in addition to all of the other information set out in this document before investing in the Ordinary Shares. The investment offered in this document may not be suitable for all of its recipients. Potential investors are accordingly advised to consult a professional advisor authorised under FSMA, who specialises in advising on the acquisition of shares and other securities, before making any investment decision. A prospective investor should consider carefully whether an investment in the Company is suitable in the light of his or her personal circumstances and the financial resources available to him or her.

The Directors believe the following risks to be the most significant for potential investors. However, the risks listed do not necessarily comprise all of those associated with an investment in the Company and are not set out in any particular order of priority. Additional risks and uncertainties not currently known to the Directors, or which the Directors currently deem immaterial, may also have an adverse effect on the Group and the information set out below does not purport to be an exhaustive summary of the risks affecting the Group. In particular, the Company's performance may be affected by changes in market or economic conditions and in legal, regulatory and tax requirements.

If any of the following risks were to materialise, the Company's business, financial condition, results or future operations could be materially adversely affected. In such cases, the market price of the Ordinary Shares could decline and an investor may lose part or all of his or her investment.

1 Risks Relating to the Group's Technology

1.1 Intellectual property

The Group's success will depend in part on its ability to maintain adequate protection of its intellectual property, covering its processes and applications. The intellectual property on which the Group's business is based is a combination of patent applications and proprietary know-how. No assurance can be given that any pending patent applications (including the Core Process application in the US) or any future patent applications will result in granted patents, that any patents will be granted on a timely basis, that the scope of any patent protection will exclude competitors or provide competitive advantages to the Group, that any of the Group's patents will be held valid if challenged, or that third parties will not claim rights in, or ownership of, the patents and other proprietary rights held by the Group.

There can be no assurance that others have not developed or will not develop similar products, duplicate any of the Group's products or design around any patent applications held by the Group. Others may hold or receive patents which contain claims having a scope that covers products developed by the Group (whether or not patents are issued to the Group). In addition, no assurance can be given that others will not independently develop or otherwise acquire substantially equivalent techniques or otherwise gain access to the Company's unpatented proprietary technology or disclose such technology or that the Company can ultimately protect meaningful rights to such unpatented technology.

Once granted, a patent can be challenged both in the relevant patent office and in the courts by third parties. Third parties can bring material and arguments which the patent office granting the patent may not have seen. Therefore, issued patents may be found by a court of law or by the patent office to be invalid or unenforceable or in need of further restriction.

A substantial cost may be incurred if the Group is required to assert its intellectual property rights, including any patents, against third parties. Patent litigation is costly and time consuming and there can be no assurance that the Group will have, or will be able to devote, sufficient resources to pursue such litigation. Potentially unfavourable outcomes in such proceedings could limit the Group's intellectual property rights and activities. There is no assurance that obligations to maintain the Group's or partners' know-how would not be breached or otherwise become known in a manner which provides the Group with no recourse.

There is a risk that certain objections which have been raised, or may be raised in the future, by patent offices in relation to the patent applications which have been filed by the Group, may prevent those patent applications from being granted. If the patent applications are not granted, the consequence is that the techniques and processes described in the patent applications would not be protected and would be in the public domain.

The Group operates its business under the Xeros brand and has acquired a number of related trademarks in various jurisdictions. It is possible that third parties may seek to oppose the Group trademarks in certain jurisdictions and/or infringe the Group's intellectual property rights in the Xeros brand. The Group may in the future seek to enter new markets where it will not be able to protect its trademarks or they may be subject to challenge or dispute which may lead to delays or restrictions on the Group's commercialisation strategy and this may have a significant effect on the Group's business, financial condition and results.

Any claims made against the Group's intellectual property rights, even without merit, could be time consuming and expensive to defend and could have a materially detrimental effect on the Group's resources. A third party asserting infringement claims against the Group and its customers could require the Group to cease the infringing activity and/or require the Group to enter into licensing and royalty arrangements. The third party could also take legal action which could be costly to defend. In addition, the Group may be required to develop alternative non-infringing solutions that may require significant time and substantial unanticipated resources. There can be no assurance that such claims would not have a material adverse effect on the Group's business, financial condition or results.

1.2 Third party intellectual property

Although the Board believes that the Group's current products, products in development and processes do not infringe the intellectual property rights of any third parties, it is impossible to be aware of all third party intellectual property. No assurance can be given that third parties will not in the future claim rights in or ownership of the patents and other proprietary rights from time to time held by the Group. As further detailed above, substantial costs (both financially and in management time) may be incurred if the Group is required to defend its intellectual property.

1.3 Research and development risk

The Company is involved in complex scientific areas and new product development. There is no guarantee that the Group will be successful in its research and product development. Some of the Group's technology and intellectual property portfolio is at an early stage of commercial development. The Group may not be able to develop and exploit its technology sufficiently to enable it to develop commercial and marketable products. Furthermore, the Group may not be able to develop new applications or identify additional specific market needs that can be addressed by the Group's technology.

1.4 Risk of competing technology

There is a risk that technological advances in competing technology and/or the lower cost of such technology may impede the commercial exploitation of the Group's technology. This would have a significant adverse effect on the Group's business.

1.5 Risks associated with the requirement for continued developments

The Group needs to continue to invest significant resources in research and development in order to develop and enhance the Group's existing products and services and introduce new high quality products and services. If the Group is unable to ensure that its customers have a high quality experience with the Group's products and services, then they may become dissatisfied and move to competitors' products and services. In addition, if the Group is unable to predict customer preferences or industry changes, or if the Group is unable to modify its products and services on a timely basis, the Group may lose customers.

The Group's future success will depend on its ability to adapt to changing technologies, to adapt its products and services to evolving industry standards and to improve the performance and reliability of the Group's services. Failure to adapt to such changes would harm the Group's business.

In addition, the adoption of multiple uses for the polymer beads is likely to require expenditure by the Group. Moreover, the Directors believe that its continued success depends on investing in new business strategies or initiatives that complement the Group's commercial laundry business. Such endeavours may involve significant risks and uncertainties, including distraction of management's attention away from the core business of commercial and domestic laundry and insufficient revenue generation to offset liabilities and expenses incurred by such strategies and initiatives. Because these endeavours may be inherently risky, no assurance can be given that such endeavours will not materially adversely affect the Group's business, operating results or financial condition.

2 Risks Relating to the Commercialisation of the Group's Technology

2.1 Acceptance of the Group's products

The success of the Group will depend on the market's acceptance of, and attribution of value to, its core technology and the benefits of incorporating the same into various applications. There can be no guarantee that this acceptance will be forthcoming, that an acceptable value will be placed upon such technology or that the Group's core technology will succeed as an alternative to other applications.

The development of a market for products incorporating the Group's technology is affected by many factors, some of which are beyond its control, including the emergence of newer, more successful technologies and products. Notwithstanding the technical merits of a product which incorporates the Group's technology, there can be no guarantee that the targeted customer base for the product will purchase or continue to purchase the product. If market acceptance of products incorporating the Group's applications fails to develop or develops more slowly than anticipated, the Group may be unable to recover losses incurred in the development of its products and technology and may never achieve profitability.

2.2 Commercialisation risk

The Group has, and will continue to enter into, arrangements with third parties in respect of the development, production and commercialisation of products based on its technology. The Group's negotiating position in agreeing terms of either joint development, distribution, service or supply arrangements may be affected by its size and limited cash resources relative to potential development partners with substantial cash resources and established levels of commercial success. An inability to enter into or renew such arrangements on favourable terms, if at all, or disagreements between the Group and any of its potential partners could lead to delays in the Group's commercialisation strategy and this may have a significant adverse effect on the Group's business, financial condition and results. As noted in Part I of this document, the Group is seeking to enter into a number of commercial partnerships for the supply and distribution of domestic laundry appliances. No such partnerships have been entered into as at the date of this document and there is no guarantee as to when and on what terms the Group will be able to enter into such partnerships.

The results of any research and development undertaken with a partner under any of its collaborations may not meet the required specifications or expectations of that partner or be successful, attractive or acceptable in product trials. Accordingly, there can be no assurance that any of the existing collaborations or future collaborations with the Group's partners will result in commercial arrangements with those partners on favourable terms or at all, or that the Group will achieve any revenue, profitability or cash flow from such activities. Where any intellectual property developed as a result of any research or development undertaken with a partner is licensed to the Group by such partner, there is no guarantee that the terms of such licence will be on an exclusive basis or will not at some stage cease to be on an exclusive basis.

The loss of, or changes affecting, the Group's relationships with commercialisation partners could adversely affect the Group's results or operations and the Group may have limited input on the product strategies adopted by any of its partners. Furthermore, there is a risk that such partners may reprioritise within their product portfolio resulting in the Group achieving sales below that which the Directors anticipate. In any such arrangement, the Group will be dependent on such partners for its revenue and the sales strategies and product positioning of the Group's partners may have a material and adverse effect on the Group's business, financial condition and results of operations.

The Group may be dependent on a relatively small number of commercial partners. If any of these companies were to cease to work with the Group, it could potentially have a material impact on the trading, financial condition and prospects of the Group.

2.3 Acceptance of proposed service model by the commercial laundry market

The Group is targeting the commercial laundry market with a business model founded on an integrated service and care package marketed under "Xeros Sbeadycare™". There can be no guarantee that the commercial laundry market will be prepared to purchase products incorporating the Group's technology on the basis of the "Xeros Sbeadycare™" integrated service and care package or that such an approach will become widely accepted on a commercial scale. Even if the "Xeros Sbeadycare™" integrated service and care package does become widely accepted, the conversion of current interest into wide scale commercial adoption may take longer than anticipated and the Group may be unsuccessful in its efforts to realise commercial and financial benefits from this wider acceptance.

The "Xeros Sbeadycare™" package requires the Group to fund the initial cost of machines the extent of which may be restricted by the availability of finance to the Group. This could restrict the speed of roll out of "Xeros Sbeadycare™" and have a material impact on the trading, financial condition and prospects of the Group.

The costs of providing the “Xeros Sbeadycare™” integrated service and care package may increase as a result of matters beyond the control of the Group and the Group may be unable to pass on those increases to its customers which could have a material impact on the trading, financial condition and prospects of the Group.

3 Risks Relating to the Business and Operations of the Group

3.1 Early stage of operations

Whilst the Group has made initial limited product sales, it is still at an early stage of development. There are a number of operational, strategic and financial risks associated with such early stage companies. In particular, the Group’s future growth and prospects will depend on its ability to develop products and services for applications which have sufficient commercial appeal, to manage growth and to continue to develop operational, financial and quality control systems on a timely basis, whilst at the same time maintaining effective cost controls. Any failure to develop operational, financial and management information and quality control systems in line with the Group’s growth could have a material adverse effect on its business, financial condition and results of operations.

The Group is currently loss making and there can be no certainty that the Group will achieve increased or sustained revenues, profitability or positive cash flow from its operating activities within the timeframe expected by the Board or at all. The development of the Group’s revenues is difficult to predict and there is no guarantee that it will generate any material revenues in the foreseeable future. The Group has a limited operating history upon which its performance and prospects can be evaluated.

There is no guarantee that the Group’s commercial laundry customers who have participated in early stage sales will order additional machines or that management estimates of future sales will be realised and a failure to realise such estimates would have a material adverse effect on the growth of the Group’s business and its financial position.

3.2 Competition risk

Given the potentially disruptive nature of the Group’s technology in relation to established markets, the Group may face significant competition and negative commentary from organisations which have greater capital resources than it and/or which have a product offering competitive to that of the Group, to the detriment of the Group. There is no assurance that the Group will be able to compete successfully in the marketplace in which it seeks to operate.

3.3 Production Process Risk

Products incorporating the Group’s technology have not yet been produced on a fully commercial scale and the Group and its commercial partners have not yet demonstrated the ability to scale up such production. Failure to operate production at an increased capacity may have a material adverse effect on the growth of the Group’s business and its financial position.

The Group is dependent on a limited number of key suppliers in relation to the production of its polymer bead cleaning system (which includes the production of the machines used in the system). Should any such key supplier cease to deal with the Group for any reason and/or materially and adversely change the terms upon which it deals with the Group, difficulties may be experienced by the Group in sourcing alternative suppliers on acceptable terms. Any such disruption to the Group’s supply arrangements may have a material adverse effect on the growth of the Group’s business and its financial position.

3.4 Management of growth

The ability of the Group to implement its strategy requires effective planning and management control systems. The Group’s growth plans may place a significant strain on its management and operational, financial and personnel resource. Therefore, the Group’s future growth and prospects will depend on its ability to manage this growth.

3.5 Dependence on key executives and personnel and the ability to attract and retain appropriately qualified personnel

The Group’s future success is substantially dependent on the continued services and performance of its executive Directors and senior management and its ability to attract and retain suitably skilled and experienced personnel. The Company cannot give assurances that members of the senior management team and the executive Directors will continue to remain within the Group. Finding and hiring any such replacements could be costly and might require the Company to grant significant equity awards or other incentive compensation, which could adversely impact its financial results.

3.6 Health, safety and environmental risks

The installation and operation of products incorporating the Group's technology will be subject to various health and safety and environmental requirements in the markets for such products. Such requirements govern, among other matters, air emissions, wastewater discharges and solid and hazardous waste management. Many such laws and regulations are becoming increasingly stringent (and may impose strict liability) and the cost of compliance with these requirements can be expected to increase over time. Although the Directors believe that the products incorporating the Group's technology comply with applicable regulations, any failure to comply with such laws and regulations could result in the Group incurring costs and/or liabilities, including as a result of regulatory enforcement, personal injury, property damage and claims and litigation resulting from such events, which could adversely affect the Group's operating results and financial condition.

The Group cannot predict the impact of new or changed health and safety and environmental laws or regulations or other concerns or changes in the ways that such laws or regulations are administered, interpreted or enforced. The requirements to be met, as well as the technology and length of time available to meet those requirements, continue to develop and change. To the extent that any of the requirements impose substantial costs or constrain the Group's ability to expand or change its processes, the Group's business, prospects, operating results and financial condition may suffer as a result.

3.7 Reduction in government support for environmental-focused technologies

Most states in the US offer energy incentive programs to help offset energy costs, with the Federal Energy Management Program's Energy Incentive Program providing information to Federal agencies about the availability of energy-efficiency and renewable-energy project funding for public purpose programs on a state-by-state basis. These public purpose programs are administered by utilities, state agencies, or other third parties and paid for by utility ratepayers, typically through a non-bypassable system benefits charge instituted as part of restructuring legislation or rules; or through utility programs administered by the local utility and paid for by utility ratepayers through their bundled rates; or through programs sponsored by state agencies designed to promote energy efficiency and renewable energy and typically funded out of general tax revenues. The Group's existing and potential customers in the US are potentially able to benefit from attractive incentives to install Xeros washing machines as a result of these incentive programs. In the event that the federal government reviews, reduces or withdraws its energy efficiency and renewable-energy project funding, the Group's ability to sign up new customers who would be able to benefit from incentives to install Xeros washing machines could be adversely affected and the Group's business, prospects, operating results and financial condition may suffer as a result.

3.8 Insurance

There can be no certainty that the Group's insurance cover is adequate to protect against every eventuality. The occurrence of an event for which the Group did not have adequate insurance cover could have a material adverse effect on the business, operating results and financial condition.

3.9 Product liability

If products incorporating the Group's technology do not perform as required, there is a risk of litigation and reputational damage, as well as product liability and indemnity risks.

3.10 Disaster recovery

The Group depends on the performance, reliability and availability of its plant, equipment and information technology systems. Any damage to, or failure of, its equipment and/or systems could result in disruptions to the Group's operations. The Group's disaster recovery plans may not adequately address every potential event and its insurance policies may not cover any loss in full or in part (including losses resulting from business interruptions) or damage that it suffers fully or at all, which could have a material adverse effect on the Group's business, financial position or prospects.

3.11 The expenditure required by the Group may be more than currently anticipated

There is a risk that the amount that the Group anticipates will be needed to fund its growth will be insufficient, that the anticipated timing of such investment may prove incorrect or that the Group may be unable to raise the amounts required (if at all). Costs may be greater than planned, or timings may vary from those targeted, which could have a material adverse effect on the implementation of the Group's strategy and its business, operating results and financial condition.

The net proceeds of the Placing are expected to be sufficient to implement the Board's strategy in the short to medium term. However, if the Group fails to generate sufficient cash through its commercial operations, it may need

to raise additional capital in the future, whether from equity or debt sources, to fund expansion, development and/or the ongoing operating costs of the Group. If the Group is unable to obtain this financing on terms acceptable to it then it may be forced to curtail its planned development.

3.12 Counterparty risk

There is a risk that parties with whom the Group trades or has other business relationships (including partners, customers, suppliers and other parties) may become insolvent. This may be as a result of general economic conditions or factors specific to that company. In the event that a party with whom the Group trades becomes insolvent, this could have an adverse impact on the revenues and profitability of the Group.

3.13 Corruption

Corruption is perceived as a problem in certain of the jurisdictions in which the Group or its commercial partners operate. Corrupt practices may have an adverse impact on the Group's operations in these jurisdictions. Corruption may also affect the ability of the Group to enforce legal rights. The Company is also subject to the Bribery Act 2010 and in complying with its obligations under that Act, it may be put at a commercial disadvantage as compared to non-UK competitors operating in the same overseas markets.

3.14 Currency and foreign exchange

A portion of the Group's business will be carried out in the future in currencies other than Sterling. To the extent that there are fluctuations in exchange rates, this may have an impact on the figures consolidated in the Group's accounts, which could have a material impact on the Group's financial position or result of operations, as shown in the Group's accounts going forward.

The Group may engage in foreign currency hedging transactions to mitigate potential foreign currency exposure. The Directors cannot predict the effect of exchange rate fluctuations upon future operating results and there can be no assurance that exchange rate fluctuations will not have a material adverse effect on the business, operating results or financial condition of the Group.

4 General Risks

4.1 Investment risks

An investment in the Ordinary Shares is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such an investment, or other investors who have been professionally advised with regard to the investment, and who have sufficient resources to be able to bear any losses that may arise therefrom (which may be equal to the whole amount invested). Such an investment should be seen as complementary to existing investments in a wide spread of other financial assets and should not form a major part of an investment portfolio. Investors should not consider investing in the Ordinary Shares unless they already have a diversified investment portfolio.

Prospective investors should be aware that the value of an investment in the Company may go down as well as up and investors may therefore not recover their original investment.

In addition, the price at which investors may dispose of their Ordinary Shares may be influenced by a number of factors, some of which may pertain to the Company, and others of which are extraneous. These factors could include the performance of the Company's business, large purchases or sales of Ordinary Shares, liquidity (or absence of liquidity) in the Ordinary Shares, currency fluctuations, legislative or regulatory or taxation changes, general economic and political conditions and interest and inflation rate variations. The value of the Ordinary Shares may therefore fluctuate and not reflect their underlying asset value.

4.2 Economic conditions and current economic weakness

Any economic downturn either globally or locally in any area in which the Group operates may have an adverse effect on the demand for the Group's products. A more prolonged economic downturn may lead to an overall decline in the volume of the Group's sales, restricting the Group's ability to generate a profit.

In addition, although signs of economic recovery have been perceptible in certain countries, the sustainability of a global economic upturn is not yet assured. If economic conditions remain uncertain this might have an adverse impact on the Group's operations and business results.

4.3 *Force majeure*

The Group's operations now or in the future may be adversely affected by risks outside the control of the Group including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

4.4 *Taxation*

The taxation implications of investing in the Company are dealt with in Part IV of this document. The tax rules and their interpretation relating to an investment in the Company may change during the life of the Company. The levels of, and relief from, taxation may change. Any tax reliefs referred to in this document are those currently available and their application depends on the individual circumstances of investors. The information given in this document relates only to UK investors and investors in other jurisdictions must seek their own tax advice.

Any change in the Company's tax status, or the tax applicable to holding Ordinary Shares, or in taxation legislation or its interpretation, could affect the value of the assets held by the Company or the Group, affect the Company's ability to provide returns to Shareholders and/or alter the post-tax return of Shareholders. Statements in this document concerning the taxation of the Company, the Group and/or its investors are based upon current law and practice which are subject to change.

4.5 *EIS and VCT relief*

Clearance has been received from HMRC that the Company's business qualifies for EIS relief and is a qualifying business for VCT relief. Although qualifying investors should obtain tax relief on their investments under EIS relief or VCT relief, neither the Company nor the Directors can provide any warranty or guarantee in this regard. Investors must take their own advice and rely on it.

Neither the Company nor the Directors give any warranties or undertakings that EIS relief or VCT relief, if granted, will not be withdrawn. Investors must take their own advice and rely on it. If the Company carries on activities beyond those disclosed to HMRC, then Shareholders may cease to qualify for the tax benefits.

Should the law regarding the EIS or VCTs change then any relief or qualifying status previously obtained may be lost.

Any person who is in any doubt as to their taxation position should consult their professional taxation advisor in order that they may fully understand how the rules apply in their individual circumstances.

4.6 *Legal risks*

Legal risks include the inability to enforce security arrangements, an absence of adequate protection for intellectual property rights, an inability to enforce foreign judgments relating to contracts entered into by the Group that are governed by laws outside England and Wales, absence of a choice of law, and an inability to refer disputes to arbitration or to have a choice with regard to arbitration rules, venue and language. Mitigation measures for these risks may be limited.

4.7 *Securities traded on AIM*

AIM securities are not admitted to the Official List. An investment in shares traded on AIM may carry a higher risk than an investment in shares listed on the Official List. AIM has been in existence since June 1995 but its future success and liquidity in the market for the Ordinary Shares cannot be guaranteed.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached rather than for larger or more established companies. 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 advisor authorised under FSMA who specialises in advising on the acquisition of shares and other securities.

4.8 *The trading price of the Ordinary Shares is likely to be volatile, and investors might not be able to sell their shares at or above the Placing Price*

An active or liquid market in the Ordinary Shares may not develop upon completion of the Placing or, if it does develop, it may not be sustainable. The Placing Price may not be indicative of the market price of the Ordinary Shares after Admission and therefore it may vary from the market price of the Ordinary Shares after Admission. As a result of these and other factors, investors may be unable to sell their Ordinary Shares at or above the Placing Price.

The following factors, in addition to other risks described in this document, may have a significant effect on the market price of the Ordinary Shares:

- (a) variations in operating results;
- (b) actual or anticipated changes in the estimates of operating results or changes in stock market analyst recommendations regarding the Ordinary Shares, other comparable companies or the industry generally;
- (c) macro-economic conditions in the countries in which the Group may do business;
- (d) foreign currency exchange fluctuations and the denominations in which the Group may conduct business and hold cash reserves;
- (e) market conditions in the industry, the industries of customers and the economy as a whole;
- (f) actual or expected changes in the Group's growth rates or competitors' growth rates;
- (g) changes in the market valuation of similar companies;
- (h) trading volume of the Ordinary Shares;
- (i) sales of the Ordinary Shares by the Directors or other Shareholders; and
- (j) adoption or modification of regulations, policies, procedures or programmes applicable to the Group's business.

In addition, if the stock market in general experiences loss of investor confidence, the trading price of the Ordinary Shares could decline for reasons unrelated to the Group's business, financial condition or operating results. The trading price of the Ordinary Shares might also decline in reaction to events that affect other companies in the industry, even if such events do not directly affect the Group. Each of these factors, among others, could harm the value of the Ordinary Shares.

4.9 If securities or industry analysts do not publish research or publish unfavourable or inaccurate research about the business, the Company's share price and trading volume of the Ordinary Shares could decline

The trading market for the Ordinary Shares will depend, in part, on the research and reports that securities or industry analysts publish about the Group or its business. The Directors may be unable to sustain coverage by well-regarded securities and industry analysts. If either none or only a limited number of securities or industry analysts maintain coverage of the Company, or if these securities or industry analysts are not widely respected within the general investment community, the trading price for the Ordinary Shares could be negatively impacted. In the event that the Group obtains securities or industry analyst coverage, if one or more of the analysts who cover the Company downgrade the Ordinary Shares or publish inaccurate or unfavourable research about the Group's business, the share price would be likely to decline. If one or more of these analysts cease coverage of the Company or fail to publish reports regularly, demand for the Ordinary Shares could decrease, which might cause the share price and trading volume to decline.

4.10 Dilution of Shareholders' interests as a result of additional equity fundraising

The Group may need to raise additional funds in the future to finance, amongst other things, working capital, expansion of the business, new developments relating to existing operations or acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a pre-emptive basis to existing shareholders, the percentage ownership of the existing shareholders may be reduced. Shareholders may also experience subsequent dilution and/or such securities may have preferred rights, options and pre-emption rights senior to the Ordinary Shares.

4.11 Dividends

There is no current intention to pay dividends in the short to medium term. There can be no assurance as to the level of future dividends, if any. The declaration, payment and amount of any future dividends of the Company is subject to the discretion of the Directors, and will depend upon, among other things, the Company's earnings, financial position, cash requirements and availability of profits, as well as the provisions of relevant laws or generally accepted accounting principles.

4.12 The use of net proceeds of the Placing is subject to change

The use of net proceeds from the Placing set out in Part I of this document is based on management's current expectations. There are no restrictions on the Company's use of net proceeds. Investors will not have the opportunity to evaluate the economic, financial or other information on which the Company bases its decisions on how to use the net proceeds. The failure of the Company's management to apply these funds effectively could harm investor confidence and cause the price of the Ordinary Shares to decline.

PART III

FINANCIAL INFORMATION ON XEROS LIMITED

The historical financial information for Xeros Limited and its subsidiary undertaking (together the “Historical Group”) is set out in Section B of this Part III. This financial information comprises information for Xeros Limited for the financial years ended 31 July 2011, 31 July 2012 and 31 July 2013.

The Directors of Xeros Technology Group plc (the “Company”) are required to prepare the financial information in a form consistent with that which will be adopted in the Company’s next published annual financial statements having regard to the accounting standards and policies and legislation applicable to such annual financial statements. In accordance with the legislation applicable within the United Kingdom, the financial information is required to give a true and fair view of the state of affairs of Xeros Limited for that period.

In preparing that financial information, the Directors are required to:

- (a) select suitable accounting policies and apply them consistently;
- (b) make judgements and estimates that are reasonable and prudent; and
- (c) prepare the financial information on the going concern basis unless it is inappropriate to presume that Xeros Limited will continue in business.

Section A of this Part III sets out a report from KPMG LLP, the Reporting Accountants, required by Paragraph 20.1 of Annex I of Appendix 3.1.1 of the Prospectus Rules as if they had been applied by part (a) of Schedule Two to the AIM Rules and given for the purpose of complying with that paragraph and for no other purpose.

Historical financial information for the Company has not been presented in this Admission Document. The Company was incorporated on 10 September 2013 and, save for the issue of one subscriber share of £1 and the subsequent acquisition of Xeros Limited by way of a share for share exchange, as detailed in paragraph 3 of Part V, has no assets or liabilities and has not traded nor produced any financial information for any period since incorporation.



SECTION A: ACCOUNTANT'S REPORT

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The Directors
Xeros Technology Group plc
Unit 14, Evolution
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19 March 2014

Dear Sirs

Xeros Limited

We report on the consolidated financial information of Xeros Limited set out on pages 33 to 61 for the three years ended 31 July 2013. This financial information has been prepared for inclusion in the AIM Admission Document dated 19 March 2014 of Xeros Technology Group plc on the basis of the accounting policies set out in note 2. This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 2 to the financial information and in accordance with International Financial Reporting Standards as adopted by the European Union.

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

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

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 judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations 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 on financial information

In our opinion, the consolidated financial information gives, for the purposes of the AIM Admission Document dated 19 March 2014, a true and fair view of the state of affairs of Xeros Limited as at 31 July 2011, 31 July 2012 and 31 July 2013 and of its consolidated losses, consolidated cash flows, consolidated comprehensive income and consolidated changes in equity for the three years ending 31 July 2013 in accordance with the basis of preparation set out in note 2 and in accordance with International Financial Reporting Standards as adopted by the European Union as described in note 2.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies 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 for Companies.

Yours faithfully

SECTION B: HISTORICAL FINANCIAL INFORMATION

Consolidated statement of comprehensive income

		Year ended 31 July 2011 £	Year ended 31 July 2012 £	Year ended 31 July 2013 £
Revenue	Note	10,462	1,671	64,667
Cost of sales.....		–	–	(52,684)
Gross profit		<u>10,462</u>	<u>1,671</u>	<u>11,983</u>
Administrative expenses	6	(1,169,673)	(1,939,332)	(3,665,056)
Other operating income	10	195,254	213,275	190,734
Loss from operations	6	<u>(963,957)</u>	<u>(1,724,386)</u>	<u>(3,462,339)</u>
Finance income	11	5,621	9,249	52,684
Finance costs	12	–	–	(2)
Loss before taxation		<u>(958,336)</u>	<u>(1,715,137)</u>	<u>(3,409,657)</u>
Taxation (charge)/credit	13	(16,425)	140,664	165,739
Loss for the year attributable to equity holders of the parent company		<u>(974,761)</u>	<u>(1,574,473)</u>	<u>(3,243,918)</u>
Other comprehensive income (net of tax).....		–	–	–
Total comprehensive income for the year attributable to equity holders of the parent company		<u>(974,761)</u>	<u>(1,574,473)</u>	<u>(3,243,918)</u>
Basic and diluted loss per share - pence	14	<u>(1,193.4)p</u>	<u>(1,403.1)p</u>	<u>(1,849.1)p</u>

All operations were continuing throughout each financial year.

Consolidated statement of financial position

	Note	31 July 2011 £	31 July 2012 £	31 July 2013 £
Assets				
Non-current assets				
Property, plant and equipment	15	83,313	111,179	113,493
Current assets				
Inventories	17	–	–	62,913
Trade and other receivables.....	18	34,060	244,376	327,247
Investments - deposits.....	19	–	–	6,005,182
Cash and cash equivalents.....	20	1,410,198	1,593,198	2,471,747
		<u>1,444,258</u>	<u>1,837,574</u>	<u>8,867,089</u>
Total assets		<u><u>1,527,571</u></u>	<u><u>1,948,753</u></u>	<u><u>8,980,582</u></u>
Liabilities				
Current liabilities				
Trade and other payables	21	(177,510)	(225,224)	(421,886)
Non-current liabilities				
Deferred tax	22	(16,425)	(12,764)	(16,482)
		<u>(193,935)</u>	<u>(237,988)</u>	<u>(438,368)</u>
Total liabilities		<u><u>(193,935)</u></u>	<u><u>(237,988)</u></u>	<u><u>(438,368)</u></u>
Net assets		<u><u>1,333,636</u></u>	<u><u>1,710,765</u></u>	<u><u>8,542,214</u></u>
Equity attributable to shareholders of the parent				
Share capital	24	9	12	24
Share premium account		3,619,649	5,534,632	15,509,710
Profit and loss reserve		(2,286,022)	(3,823,879)	(6,967,520)
		<u>1,333,636</u>	<u>1,710,765</u>	<u>8,542,214</u>
Total equity		<u><u>1,333,636</u></u>	<u><u>1,710,765</u></u>	<u><u>8,542,214</u></u>

Consolidated statement of changes in equity

	Share capital £	Share premium £	Profit and loss reserve £	Total equity £
Balance at 1 August 2010	5	1,599,709	(1,349,764)	249,950
Total comprehensive loss for the year	–	–	(974,761)	(974,761)
<i>Transactions with owners of the parent</i>				
Issue of equity share capital	4	2,019,940	–	2,019,944
Share-based payment charge	–	–	38,503	38,503
Balance at 31 July 2011	9	3,619,649	(2,286,022)	1,333,636
Total comprehensive loss for the year	–	–	(1,574,473)	(1,574,473)
<i>Transactions with owners of the parent</i>				
Issue of equity share capital	3	1,914,983	–	1,914,986
Share-based payment charge	–	–	36,616	36,616
Balance at 31 July 2012	12	5,534,632	(3,823,879)	1,710,765
Total comprehensive loss for the year	–	–	(3,243,918)	(3,243,918)
<i>Transactions with owners of the parent</i>				
Issue of equity share capital	12	9,975,078	–	9,975,090
Share-based payment charge	–	–	100,277	100,277
Balance at 31 July 2013	24	15,509,710	(6,967,520)	8,542,214

For an explanation of components of shareholders' equity see the Capital Risk Management section of note 3.

Consolidated statement of cash flows

	Year ended 31 July 2011 £	Year ended 31 July 2012 £	Year ended 31 July 2013 £
Cash flow from operating activities			
Loss before taxation.....	(958,336)	(1,715,137)	(3,409,657)
Adjustments for:			
Depreciation of property, plant and equipment	15,190	31,364	40,856
Share-based payment charge	38,503	36,616	100,277
Increase in inventories	–	–	(62,913)
Decrease/(increase) in trade and other receivables	12,732	(79,246)	(16,013)
(Decrease)/increase in trade and other payables	(126,662)	47,714	196,662
Finance income.....	(5,621)	(9,249)	(52,684)
Finance expenses	–	–	2
Cash used in operations	(1,024,194)	(1,687,938)	(3,203,470)
Tax credit received.....	–	137,003	169,457
Net cash used in operating activities	(1,024,194)	(1,550,935)	(3,034,013)
Investing activities			
Acquisition of property, plant and equipment	(63,145)	(59,230)	(43,170)
Cash placed on deposits with more than three months' maturity	–	–	(6,005,182)
Finance income.....	5,621	9,249	52,684
Finance expenses	–	–	(2)
Net cash used in investing activities	(57,524)	(49,981)	(5,995,670)
Cash flow from financing activities			
Proceeds from the issue of shares	2,019,944	1,783,916	9,908,232
Net cash generated from financing activities	2,019,944	1,783,916	9,908,232
Net increase in cash and cash equivalents	938,226	183,000	878,549
Cash and cash equivalents at beginning of year	471,972	1,410,198	1,593,198
Cash and cash equivalents at end of year	<u>1,410,198</u>	<u>1,593,198</u>	<u>2,471,747</u>

Notes to the Financial Information

1 General information

Xeros Limited was incorporated on 12 September 2006 and is domiciled in the UK and incorporated in England and Wales (registered number 05933013). Xeros Limited's principal activity is the development and commercialisation of polymer bead cleaning alternatives to traditional aqueous based cleaning and its registered office address is Unit 14, Evolution, Advanced Manufacturing Park, Whittle Way, Catcliffe, Rotherham, S60 5BL.

2 Summary of significant accounting policies

Basis of preparation

This consolidated financial information ("**Financial Information**") has been prepared on a going concern basis under the historical cost convention and is in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the International Financial Reporting Standards Interpretations Committee interpretations issued by the International Accounting Standards Board ("**IASB**") that are effective or issued and early adopted as at the time of preparing this Financial Information.

The principal accounting policies applied by the Historical Group in the preparation of the Financial Information for the years ended 31 July 2011, 31 July 2012 and 31 July 2013 are set out below. These policies have been applied consistently to all periods presented.

The preparation of Financial Information requires management to exercise its judgements in the process of applying accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in note 4.

The Financial Information in this Part III (a) does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006.

Change in accounting policies

(i) New standards, amendments and interpretations effective for the first time in the year ended 31 July 2013

The following new standards, amendments and interpretations have become effective for the current financial year. These changes have not had a significant impact on the company:

- IAS 1 (amended): Presentation of Financial Statements, presentation of other comprehensive income
- IAS 12 (amended): Income Taxes, recovery of underlying assets

(ii) Standards, amendments and interpretations not yet effective

At the date of approval of these financial statements, the following standards, amendments and interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases have not yet been adopted by the EU):

- Amendments to IFRS 1: First time adoption of IFRS – Government loans. This is effective for accounting periods beginning on or after 1 January 2013.
- IFRS 9: Financial Instruments and subsequent amendments. This is effective for accounting periods beginning on or after 1 January 2017.
- IFRS 10: Consolidated Financial Statements. This is effective for accounting periods beginning on or after 1 January 2013.
- IFRS 11: Joint arrangements. This is effective for accounting periods beginning on or after 1 January 2013.
- IFRS 12: Disclosure of Interests in Other Entities. This is effective for accounting periods beginning on or after 1 January 2013.
- Amendments to IFRS 10, 11, 12: Transitional guidance. This is effective for accounting periods beginning on or after 1 January 2013.
- Amendments to IFRS 10, 12 and IAS 27: Investment entities. This is effective for accounting periods beginning on or after 1 January 2014.
- IFRS 13: Fair Value Measurement. This is effective for accounting periods beginning on or after 1 January 2013.

- IAS 19 (revised): Employee Benefits. This is effective for accounting periods beginning on or after 1 January 2013.
- IAS 27 (revised): Separate Financial Statements. This is effective for accounting periods beginning on or after 1 January 2013.
- IAS 28 (revised): Investments in Associates and Joint Ventures. This is effective for accounting periods beginning on or after 1 January 2013.
- Amendments to IAS 32 and IFRS 7: Financial Instruments, on asset and liability offsetting. This is effective for accounting periods beginning on or after 1 January 2014.
- Amendments to IAS 36: Recoverable amount disclosures for non-financial assets. This is effective for accounting periods beginning on or after 1 January 2014.
- Amendments to IAS 39: Novation of derivatives and continuation of hedge accounting. This is effective for accounting periods beginning on or after 1 January 2014.
- IFRIC 20: Stripping costs in the production phase of a surface mine. This is effective for accounting periods beginning on or after 1 January 2013.
- IFRIC 21: Levies. This is effective for accounting periods beginning on or after 1 January 2014.
- Amendments resulting from Annual Improvements 2009-2011 Cycle. This is effective for accounting periods beginning on or after 1 January 2013.

At this point in time it is not expected that these standards will have a significant impact on the financial statements. The Board are aware of the effective dates and will continue to review the potential impact on the financial statements. The Board does not intend to early adopt any of these standards.

Going concern

Xeros Limited conducts the development and commercialisation of polymer based cleaning systems. As noted in Part I “Information on the Group”, the company has invested significantly in developing its cleaning technology.

As at 31 July 2013, the company had cash and cash equivalent balances and cash held on deposit of £8,476,929. This cash, together with the anticipated net proceeds of £25.793 million to be received following the admission of the shares of Xeros Technology Group plc to trading on AIM, is considered sufficient to support the day to day operations of the company for a period of at least 12 months from the date of this document. Should this new funding not be forthcoming the directors intend to take steps to mitigate the cash outflows to provide sufficient time to undertake a further funding round with both existing and potential new investors, which the Directors have no reason to believe will not be successful.

After making enquiries and considering the uncertainties described above, the Directors have a reasonable expectation that the company has adequate resources to continue in operation for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the financial information.

Basis of consolidation

Where Xeros Limited has power, either directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefit from its activities, it is classified as a subsidiary.

The consolidated statement of financial position incorporates the results of all subsidiaries of the Historical Group for all years and periods, as set out in the basis of preparation.

Foreign currencies

(a) Functional and presentational currency

Items included in the Financial Information are measured using the currency of the primary economic environment in which Xeros Limited operates (“**the functional currency**”) which is UK Sterling (£). The Financial Information is presented in UK Sterling (£), which is Xeros Limited’s presentational currency. All amounts are rounded to the nearest £.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated

in foreign currencies are recognised in net profit or loss in the statement of comprehensive income. Non monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Revenue recognition

Revenue is recognised at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of business and is shown net of Value Added Tax. Xeros Limited primarily earns revenues from the sale/provision of polymer bead cleaning equipment, consumables and services.

Product sales revenues are recognised once the goods have been despatched. The difference between the amount of income recognised and the amount invoiced on a particular contract is included in the statement of financial position as deferred income. Amounts included in deferred income are expected to be recognised within one year and are included within current liabilities.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset. Income from grants is included within 'other operating income' in the Consolidated statement of comprehensive income.

Income from joint development agreements

Income from joint development agreements is recognised over the period of each agreement in equal monthly instalments. Income from these agreements is included within 'other operating income' in the Consolidated statement of comprehensive income.

The difference between the amount of income recognised and the amount invoiced on a particular contract is included in the statement of financial position as deferred income. Amounts included in deferred income are expected to be recognised within one year and are included within current liabilities.

Internally generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Development costs are only capitalised when the related products meet the recognition criteria of an internally generated intangible asset, the key criteria being as follows:

- technical feasibility of the completed intangible asset;
- the probability of future economic benefits;
- the reliable measurement of costs;
- the ability and intention of the Historical Group to use or sell the intangible asset.

In the period covered by the Historical Financial Information, the Directors do not believe that expenditure on development met the criteria for capitalisation. Expenses for research and development include associated wages and salaries, material costs, depreciation on non-current assets and directly attributable overheads.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is charged so as to write off the costs of assets over their estimated useful lives, on the following basis:

Leasehold improvements	–	over the term of the lease on a straight line basis
Plant and machinery	–	20 per cent. on cost on a straight line basis
Fixtures and fittings	–	20 per cent. on cost on a straight line basis
Computer equipment	–	33 per cent. on cost on a straight line basis

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

Impairment of property, plant and equipment

At each reporting date, the Historical Group reviews the carrying amounts of its property, plant and equipment assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Historical Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost incurred in bringing each product to its present location and condition is accounted for as follows:

Raw materials, work in progress and finished goods – Purchase cost on a first-in, first out basis.

Net realisable value is the estimated selling price in the ordinary course of business.

Financial Instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Historical Group becomes party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Financial liabilities are de-recognised when the obligation specified in the contract is discharged, cancelled or expired.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment. Appropriate provisions for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the assets are impaired.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Investments – deposits

Investments – deposits comprise bank deposits maturing more than three months after the balance sheet date.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Historical Group are recorded at the proceeds received, net of direct issue costs.

Trade and other payables

Trade payables are initially measured at their fair value and are subsequently measured at their amortised cost using the effective interest rate method; this method allocates interest expense over the relevant period by applying the “effective interest rate” to the carrying amount of the liability.

Current and deferred tax

The tax expense/(credit) represents the sum of the tax currently payable or recoverable and the movement in deferred tax assets and liabilities.

Current tax is based upon taxable profit/(loss) for the year. Taxable profit/(loss) differs from net profit/(loss) as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The Historical Group's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the reporting date.

Credit is taken in the accounting period for research and development tax credits, which have been claimed from HM Revenue and Customs, in respect of qualifying research and development costs incurred. Research and development tax credits have been accounted for on a cash receipts basis.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the profit nor the accounting period.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Leased assets

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Historical Group (an 'operating lease'), the total rentals payable under the lease are charged to the consolidated statement of comprehensive income on a straight line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction in the rental expense over the lease term.

Finance leases, which transfer to the Historical Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the consolidated statement of comprehensive income.

Share Based Payments

Certain employees and consultants (including Directors and senior executives) of the Historical Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Historical Group's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied. Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Operating segments

The Board considers that the Historical Group's activity constitutes one operating and reporting segment, as defined under IFRS 8.

The total profit measures are operating profit and profit for the year, both disclosed on the face of the consolidated statement of comprehensive income. No differences exist between the basis of preparation of the performance measures used by management and the figures in the Historical Group's Financial Information.

All of the revenues generated relate to the sale of polymer bead cleaning machines. A geographic analysis of revenues is set out in note 5.

3 Financial Risk Management

The Board has overall responsibility for the determination of the Historical Group's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Historical Group's competitiveness and flexibility. The Historical Group does not use derivative financial instruments such as forward currency contracts or similar instruments. The Historical Group does not issue or use financial instruments of a speculative nature.

The Historical Group is exposed to the following financial risks:

- Credit risk
- Liquidity risk
- Market interest rate risk

To the extent that financial instruments are not carried at fair value in the consolidated statement of financial position, book value approximates to fair value at 31 July 2011, 31 July 2012 and 31 July 2013.

Trade and other receivables are measured at fair value and amortised cost. Book values and expected cash flows are reviewed by the Board and any impairment charged to the consolidated statement of comprehensive income in the relevant period.

Cash and cash equivalents are held in either UK Sterling or US dollars and are placed on deposits in UK or US banks. Trade and other payables are measured at book value and amortised cost.

Credit risk

Credit risk is the risk of financial loss to the Historical Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Historical Group is potentially exposed to credit risk from credit sales, but the Directors consider this to be a low risk. At 31 July 2013, the Historical Group had no trade receivables outstanding.

The Historical Group is exposed to credit risk in respect of these balances such that, if one or more customers or a counterparty to a financial instrument encounters financial difficulties, this could materially and adversely affect the Historical Group's financial results. The Historical Group attempts to mitigate credit risk by assessing the credit rating of new customers and financial counterparties prior to entering into contracts and by entering into contracts with customers on agreed credit terms.

The Directors are not aware of any factors affecting the recoverability of outstanding balances at 31 July 2013 and consequently no further provisions have been made for bad and doubtful debts.

Liquidity risk

Liquidity risk arises from the Historical Group's management of working capital. It is the risk that the Historical Group will encounter difficulty in meeting its future obligations as they fall due. The Historical Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances to meet its expected cash requirements.

Market risk

Market risk is the risk that changes in market prices, such as interest rates or foreign exchange rates will affect the Historical Group's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters. Market interest rate risk arises from the Historical Group's holding of cash and cash equivalent balances (see notes 19 and 20). The Board make ad hoc decisions at their regular Board meetings, as to

whether to hold funds in instant access accounts or longer term deposits. All accounts are held with reputable UK banks. These policies are considered to be appropriate to the current stage of development of the group, and will be kept under review in future years. If interest rates at each 31 July financial year had moved by 5 per cent, the impact on results would not have been significant

Capital risk management

The Historical Group's capital is made up of share capital, share premium and retained losses, totalling £8,542,214 at 31 July 2013 (31 July 2012: £1,710,765 and 31 July 2011: £1,333,636).

Xeros Limited's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The capital structure of the Historical Group consists of shareholders' equity as set out in the consolidated statement of changes in equity. All working capital requirements are financed from existing cash resources. There are no externally imposed capital requirements. Financing decisions are made by the Board of Directors based on forecasts of the expected timing and level of capital and operating expenditure required to meet the Historical Group's commitments and development plans.

4 Critical accounting estimates and judgements

Details of the Historical Group's significant accounting judgements and critical accounting estimates are set out in this Financial Information and include:

Going concern

The assessment of the Historical Group's ability to execute its strategy by funding future working capital requirements involves judgement. The Directors monitor future cash requirements to assess the Historical Group's ability to meet these funding requirements. Further information regarding going concern is outline in note 2.

Recoverability of deferred tax assets

Deferred tax assets are recognised only to the extent that it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse and a judgement as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future probability and is therefore inherently uncertain. To the extent that assumptions regarding future probability change, there can be an increase or decrease in the level of deferred tax assets recognised which can result in a charge or credit to the statement of comprehensive income in the period in which the change occurs.

Research and development costs

The assessment of when research and development expenditure meets the recognition criteria required for capitalisation requires judgement as to the technical feasibility and commercial viability of products and ideas that are under development. These judgements are highly subjective and, to the extent that actual circumstances differ, there can be an increase or decrease in the amount of expenditure expensed to the income statement.

5 Segmental information

The Directors consider that there are no identifiable business segments that are engaged in providing individual products or services or a group of related products and services that are subject to risks and returns that are different to the core business. The information reported to Xeros Limited's Chief Executive Officer, who is considered to be the chief operating decision maker, for the purposes of resource allocation and assessment of performance is based wholly on the overall activities of the Historical Group. Xeros Limited has therefore determined that it has only one reportable segment under IFRS8, which is "development and commercialisation of polymer bead cleaning technologies". The Historical Group's revenue and results and assets for this one reportable segment can be determined by reference to the consolidated statement of comprehensive income and consolidated statement of financial position.

5 Segmental information (continued)

In the period covered by this Financial Information, the Historical Group carried out all of its activities from a single location in the UK and as such only has a single geographic segment. An analysis of revenues by geographic location of customers is set out below.

	Year ended 31 July 2011 £	Year ended 31 July 2012 £	Year ended 31 July 2013 £
United Kingdom	10,462	478	40,988
United States of America	–	1,193	1,698
Germany	–	–	21,981
.....	<u>10,462</u>	<u>1,671</u>	<u>64,667</u>

During the year ended 31 July 2013 the Historical Group had two customers who generated more than 10 per cent. of total revenue. These customers generated 62 per cent., and 34 per cent. of revenue. During the year ended 31 July 2012 the Historical Group had two customers who generated more than 10 per cent. of total revenue. These customers generated 71 per cent. and 29 per cent. of revenue. During the year ended 31 July 2011 the Historical Group had one customer who generated all of total revenue.

6 Loss from operations

Loss for the year has been arrived at after charging:

	Year ended 31 July 2011 £	Year ended 31 July 2012 £	Year ended 31 July 2013 £
Employee costs (note 8)	260,912	457,323	735,770
Directors' remuneration (note 26)	272,860	310,315	366,560
Depreciation on owned property, plant and equipment	15,190	31,364	40,856
Operating lease rentals	16,379	25,080	38,623
Share-based payments	38,503	36,616	100,277
Audit fees (note 9)	3,500	3,500	5,000

The administrative expenses charge by nature is as follows:

	Year ended 31 July 2011 £	Year ended 31 July 2012 £	Year ended 31 July 2013 £
Staff costs, recruitment and other HR	629,385	842,127	1,322,436
Share-based payment expense	38,503	36,616	100,277
Premises and establishment costs	23,930	39,482	56,481
Other research and development costs	250,994	469,173	1,144,004
Patent and IP costs	49,407	217,221	415,758
Legal, professional and consultancy fees	42,355	102,659	243,666
IT, telecoms and office costs	22,303	33,343	58,109
Depreciation	15,190	31,363	40,856
Travelling and entertaining costs	56,405	84,769	168,958
Advertising, conferences and exhibitions	21,480	64,600	60,224
Foreign exchange losses	506	1,360	5,555
Other expenses	19,215	16,619	48,732
.....	<u>1,169,673</u>	<u>1,939,332</u>	<u>3,665,056</u>

7 Average monthly number of employees (excluding directors)

	Year ended 31 July 2011 Number	Year ended 31 July 2012 Number	Year ended 31 July 2013 Number
Operations	9	11	17
Average number of employees	<u>9</u>	<u>11</u>	<u>17</u>

8 Employee costs (excluding directors)

	Year ended 31 July 2011 £	Year ended 31 July 2012 £	Year ended 31 July 2013 £
Wages and salaries	235,311	411,567	661,435
Social security costs	25,601	45,756	74,335
	<u>260,912</u>	<u>457,323</u>	<u>735,770</u>

The remuneration of the Executive Directors, who are the key management personnel of Xeros Limited, is shown in note 26– Related Parties.

9 Auditor's remuneration

	Year ended 31 July 2011 £	Year ended 31 July 2012 £	Year ended 31 July 2013 £
Fees payable to the company's auditor for the audit of the consolidated financial statements	<u>3,500</u>	<u>3,500</u>	<u>5,000</u>

10 Other operating income

	Year ended 31 July 2011 £	Year ended 31 July 2012 £	Year ended 31 July 2013 £
Income from joint development agreements and government grants receivable	<u>195,254</u>	<u>213,275</u>	<u>190,734</u>

11 Finance income

	Year ended 31 July 2011 £	Year ended 31 July 2012 £	Year ended 31 July 2013 £
Interest on bank deposits	<u>5,621</u>	<u>9,249</u>	<u>52,684</u>

12 Finance costs

	Year ended 31 July 2011 £	Year ended 31 July 2012 £	Year ended 31 July 2013 £
Interest paid and similar charges	–	–	2

13 Income tax

	Year ended 31 July 2011 £	Year ended 31 July 2012 £	Year ended 31 July 2013 £
Current tax:			
R & D tax credit	–	(137,003)	(169,457)
Deferred tax charge/(credit)	16,425	(3,661)	3,718
Total tax charge/(credit).....	16,425	(140,664)	(165,739)

	Year ended 31 July 2011 £	Year ended 31 July 2012 £	Year ended 31 July 2013 £
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Factors affecting the tax charge for the year:

The tax assessed for the year is lower than the UK corporate tax rate of 20 per cent. (July 2012: 20 per cent., July 2011: 20.67 per cent.)

Loss before taxation.....	(958,336)	(1,715,137)	(3,409,657)
Tax at the UK corporate tax rate	(198,088)	(343,027)	(681,931)
Expenses not deductible for tax purposes.....	9,254	12,805	28,114
Current year losses for which no deferred tax asset has been recognised	198,808	333,602	657,535
Deferred tax adjustments in respect of prior periods previously not recognised	7,114	(7,041)	–
Effect of corporation tax rate changes.....	(663)	–	–
R & D tax credits received in respect of earlier periods.....	–	(137,003)	(169,457)
Tax charge/(credit) for the year.....	16,425	(140,664)	(165,739)

The Historical Group had tax losses carried forward at 31 July 2013 of £5,873,779 (31 July 2012: £3,215,955, 31 July 2011: £2,141,116).

14 Loss per share

Basic loss per share is calculated by dividing the loss attributable to equity holders by the weighted average number of shares in issue during the year.

Diluted loss per share is calculated by adjusting the weighted average number of shares in issue to assume the conversion of all potentially dilutive shares.

The Historical Group has potentially dilutive ordinary shares, being those share options granted to employees where the exercise price is less than the average market price of the company's ordinary shares during the year. Where the Historical Group has incurred a loss in a year, the diluted earnings per share is the same as the basic earnings per share as the loss has an anti-dilutive effect.

The ordinary shares, the A ordinary shares, the B ordinary shares, the C ordinary shares and the C1 ordinary shares rank pari passu in respect of the distribution of profits as if they constituted one and the same class. Therefore, for the purposes of the loss per share calculations below, the weighted average number of shares in issue is the aggregate of these shares.

	Loss for the year £	Weighted average number of shares in issue	Loss per share (pence)
Year ended 31 July 2011	(974,761)	81,682	(1,193.4)
Year ended 31 July 2012	(1,574,473)	112,214	(1,403.1)
Year ended 31 July 2013	(3,243,918)	175,428	(1,849.1)

The weighted average number of shares in issue throughout the period of this Financial Information is as follows:

	Number
Weighted average number of shares at 31 July 2011	81,682
Effect of a full year of shares issued in 2011	10,128
Effect of shares issued on 20 December 2011	20,237
Effect of shares issued on 18 July 2012	167
Weighted average number of shares at 31 July 2012	112,214
Effect of a full year of shares issued in 2012	16,940
Effect of shares issued on 4 March 2013	45,496
Effect of shares issued on 23 May 2013	778
Weighted average number of shares at 31 July 2013	175,428

On 17 March 2014, a share for share exchange took place whereby 100 per cent. of the share capital of Xeros Limited was acquired by Xeros Technology Group plc.

Illustrative loss per Ordinary Share is presented in order to demonstrate the loss attributable to the Ordinary Shares as at the date of Admission. The calculation of illustrative basic and diluted loss per Ordinary Share is based on the loss for the year, as set out below.

	Year ended 31 July 2011 £	Year ended 31 July 2012 £	Year ended 31 July 2013 £
Loss attributable to ordinary shareholders	(974,761)	(1,574,473)	(3,243,918)
Weighted average number of Ordinary Shares	13,613,667	18,702,333	29,238,000
Basic and diluted loss per Ordinary Share	(7.2)	(8.4)	(11.1)

15 Property, plant and equipment

	Leasehold improvements £	Plant & machinery £	Fixtures & fittings £	Computer equipment £	Total £
Cost:					
At 1 August 2010	–	7,669	3,046	32,714	43,429
Additions.....	38,972	19,786	3,342	1,045	63,145
At 31 July 2011	38,972	27,455	6,388	33,759	106,574
Additions.....	23,813	24,912	7,322	3,183	59,230
At 31 July 2012	62,785	52,367	13,710	36,942	165,804
Additions.....	3,437	21,479	13,852	4,402	43,170
At 31 July 2013	66,222	73,846	27,562	41,344	208,974
Accumulated depreciation:					
At 1 August 2010	–	2,340	1,479	4,252	8,071
Charge for the year	3,767	3,374	1,474	6,575	15,190
At 31 July 2011	3,767	5,714	2,953	10,827	23,261
Charge for the year	12,618	8,511	3,206	7,029	31,364
At 31 July 2012	16,385	14,225	6,159	17,856	54,625
Charge for the year	16,100	11,347	5,739	7,670	40,856
At 31 July 2013	32,485	25,572	11,898	25,526	95,481
Carrying amount:					
At 31 July 2011	35,205	21,741	3,435	22,932	83,313
At 31 July 2012	46,400	38,142	7,551	19,086	111,179
At 31 July 2013	33,737	48,274	15,664	15,818	113,493

16 Principal subsidiaries

Name	Principal activity	Country of incorporation	Class of Share held	Proportion of Shares held
Xeros Inc.	Sale of polymer bead cleaning systems	United States of America	Common Stock \$0.001 par value	100%

Xeros Inc. was incorporated in the United States of America on 19 December 2012 as a wholly owned subsidiary company of Xeros Limited. Xeros Inc. was dormant during the period from incorporation until 31 July 2013. It began trading from 1 August 2013.

17 Inventories

	Year ended 31 July 2011 £	Year ended 31 July 2012 £	Year ended 31 July 2013 £
Raw materials	–	–	14,891
Work in progress.....	–	–	35,280
Finished goods.....	–	–	12,742
	<u>–</u>	<u>–</u>	<u>62,913</u>

In the year end 31 July 2013, raw materials, consumables and changes in work in progress and finished goods recognised as cost of sales amounted to £52,684 (2011: £nil ; 2012: £nil).

18 Trade and other receivables

	Year ended 31 July 2011 £	Year ended 31 July 2012 £	Year ended 31 July 2013 £
Trade receivables.....	–	24,000	–
VAT recoverable.....	12,526	52,382	39,716
Deferred consideration for the issue of shares	–	131,070	197,928
Other receivables.....	3,683	3,683	4,662
Prepayments and accrued income	17,851	33,241	84,941
	<u>34,060</u>	<u>244,376</u>	<u>327,247</u>

Contractual payment terms with the Historical Group's customers are typically 30 to 60 days.

There are no amounts of overdue debts for which no allowance has been made. There are no provisions for impairment losses in respect of trade and other receivables. There are no receivables at any of the period ends which were considered to be past due.

The Directors believe that the carrying value of trade and other receivables represents their fair value. In determining the recoverability of trade receivables the Board considers any change in the credit quality of the receivable from the date credit was granted up to the reporting date. For details on credit risk management policies, refer to note 3.

Included within other receivables is an amount of £197,928 (2012: £131,070) of which £197,928 (2012: £109,230) is due from directors of the company. This is the deferred consideration for the subscription price for the issue of 4,369 ordinary shares on 18 July 2012 and 3,039 ordinary shares on 23 May 2013. The deferred consideration is due for payment by the shareholders only when called by the company, or if certain triggering events arise. At 31 July 2013, the company had not called for the payment to be made and no triggering events had arisen.

19 Investments – deposits

	Year ended 31 July 2011 £	Year ended 31 July 2012 £	Year ended 31 July 2013 £
Bank deposits maturing between 3 and 12 months.....	–	–	6,005,182

At 31 July 2013 the company held £2,005,182 in a 95 day deposit account and £4,000,000 in a fixed rate bond which matured on 23 November 2013. These balances are all denominated in UK Sterling (£). The Directors consider that the carrying value of cash and cash equivalents approximates to their fair value. For details of credit risk management policies, refer to note 3.

20 Cash and cash equivalents

	Year ended 31 July 2011 £	Year ended 31 July 2012 £	Year ended 31 July 2013 £
Cash and cash equivalents	1,410,198	1,593,198	2,471,747

All of the Historical Group's cash and cash equivalents at 31 July 2013 are at floating interest rates, except for the fixed rate bond referred to in note 19. Balances are denominated in UK Sterling (£) and US Dollars (\$). The Directors consider that the carrying value of cash and cash equivalents approximates to their fair value. For details of credit risk management policies, refer to note 3.

21 Trade and other payables

	Year ended 31 July 2011 £	Year ended 31 July 2012 £	Year ended 31 July 2013 £
Trade payables	54,034	121,815	179,561
Other tax and social security	15,559	23,623	42,083
Other payables	4,215	7,745	4,001
Accruals	22,562	32,041	196,241
Deferred income	81,140	40,000	–
	<u>177,510</u>	<u>225,224</u>	<u>421,886</u>

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. They are non-interest bearing and are normally settled on 30 to 45 day terms. The Directors consider that the carrying value of trade and other payables approximate their fair value. All trade and other payables are denominated in UK Sterling (£).

The Historical Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe and no interest has been charged by any suppliers as a result of late payment of invoices during the year.

22 Deferred tax

Deferred tax relates to the following:

	Year ended 31 July 2011 £	Year ended 31 July 2012 £	Year ended 31 July 2013 £
Accelerated depreciation for tax purposes	16,425	(3,661)	3,718
Deferred tax expense/(credit)	<u>16,425</u>	<u>(3,661)</u>	<u>3,718</u>

22 Deferred tax (continued)

Reconciliation of deferred tax liabilities

	Year ended 31 July 2011 £	Year ended 31 July 2012 £	Year ended 31 July 2013 £
Balance at the beginning of the year	–	16,425	12,764
Tax expense during the year	16,764	(3,661)	3,718
Change in tax rates	(339)	–	–
Balance at the end of the year	<u>16,425</u>	<u>12,764</u>	<u>16,482</u>

As at 31 July 2013, the Historical Group had unrecognised deferred tax assets totalling £1,174,756 (31 July 2012: £643,191, 31 July 2011: £428,223), which primarily relate to losses. The Historical Group has not recognised this as an asset in the Statement of Financial Position due to the uncertainty in the timing of its crystallisation.

23 Financial instruments

Non-derivative financial assets

At the reporting date, the Historical Group held the following non-derivative financial assets:

	Year ended 31 July 2011 £	Year ended 31 July 2012 £	Year ended 31 July 2013 £
Due within 3 months			
Cash and cash equivalents	1,410,198	1,593,198	2,471,747
Trade receivables	–	24,000	–
Other receivables	34,060	220,376	327,247
	<u>1,444,258</u>	<u>1,837,574</u>	<u>2,798,994</u>
Due between three months and 12 months			
Investments: fixed rate bonds and cash deposits	–	–	6,005,182
	<u>–</u>	<u>–</u>	<u>6,005,182</u>

Non-derivative financial liabilities

At the reporting date, the Historical Group held the following financial liabilities, all of which were classified as other non-derivative financial liabilities:

	Year ended 31 July 2011 £	Year ended 31 July 2012 £	Year ended 31 July 2013 £
Due within three months			
Trade payables	54,034	121,815	179,561
Other payables	91,020	103,409	242,325
	<u>145,054</u>	<u>225,224</u>	<u>421,886</u>
Due between three months and 12 months			
Deferred income	32,456	–	–
	<u>32,456</u>	<u>–</u>	<u>–</u>

24 Share capital

	Ordinary shares of £0.0001 each Number	A ordinary shares of £0.0001 each Number	B ordinary shares of £0.0001 each Number	C ordinary shares of £0.0001 each Number	C1 ordinary shares of £0.0001 each Number	Series A preferred shares of £0.0001 each Number	Total Number
At 1 August 2010	19,148	24,724	9,000	–	–	–	52,872
Reclassified (i)	2,234	6,766	(9,000)	–	–	–	–
New shares issued (ii)	7,769	–	–	–	–	31,169	38,938
At 31 July 2011	29,151	31,490	–	–	–	31,169	91,810
New shares issued (iii)	4,369	–	–	–	–	32,975	37,344
At 31 July 2012	33,520	31,490	–	–	–	64,144	129,154
New shares issued (iv)	4,240	–	–	102,881	7,825	–	114,946
Reclassified (v)	–	–	64,144	–	–	(64,144)	–
At 31 July 2013	<u>37,760</u>	<u>31,490</u>	<u>64,144</u>	<u>102,881</u>	<u>7,825</u>	–	<u>244,100</u>

	Ordinary shares of £0.0001 each £	A ordinary shares of £0.0001 each £	B ordinary shares of £0.0001 each £	C ordinary shares of £0.0001 each £	C1 ordinary shares of £0.0001 each £	Series A preferred shares of £0.0001 each £	Total £
At 1 August 2010	2	2	1	–	–	–	5
Reclassified (i)	–	1	(1)	–	–	–	–
New shares issued (ii)	1	–	–	–	–	3	4
At 31 July 2011	3	3	–	–	–	3	9
New shares issued (iii)	–	–	–	–	–	3	3
At 31 July 2012	3	3	–	–	–	6	12
New shares issued (iv)	1	–	–	10	1	–	12
Reclassified (v)	–	–	6	–	–	(6)	–
At 31 July 2013	<u>4</u>	<u>3</u>	<u>6</u>	<u>10</u>	<u>1</u>	–	<u>24</u>

(i) On 19 October 2010 each of the 9,000 issued B ordinary shares of £0.0001 each were redesignated as 6,766 A ordinary shares of £0.0001 each and 2,234 ordinary shares of £0.0001 each.

(ii) During the year ended 31 July 2011, Xeros Limited allotted and issued the following shares:

- On 19 October 2010, 4,517 ordinary shares of £0.0001 each and 29,362 Series A preferred shares of £0.0001 each at a price of £55.35 per share (and aggregate subscription of £1,875,203, of which £1,875,199 has been recognised in the share premium account);
- On 9 February 2011, 1,807 Series A preferred shares of £0.0001 each at a price of £55.35 per share (and aggregate subscription of £100,017, of which £100,017 is recognised in the share premium account);
- On 24 February 2011, 3,252 ordinary shares of £0.0001 each at a price of £55.35 per share (and aggregate subscription of £179,998, of which £179,998 is recognised in the share premium account);
- Issue costs amounting to £135,275 have been charged to the share premium account in the year.

(iii) During the year ended 31 July 2012, Xeros Limited allotted and issued the following shares:

- On 20 December 2011, 32,975 Series A preferred shares of £0.0001 each at a price of £55.35 per share (and aggregate subscription of £1,825,166, of which £1,825,163 has been recognised in the share premium account);

24 Share capital (continued)

- On 18 July 2012, 4,369 ordinary shares of £0.0001 each at a price of £30.00 per share (and aggregate subscription of £131,070, of which £131,070 has been recognised in the share premium account). In accordance with the shareholder agreement, the subscription amount is treated as deferred consideration, which is included in debtors (see note 18). The payment of the deferred consideration by the shareholders is due only when called by Xeros Limited, or if certain triggering events arise. At 31 July 2013, the company had not called for the payment to be made and no triggering events had arisen.
- Issue costs amounting to £41,250 have been charged to the share premium account in the year.

(iv) During the year ended 31 July 2013, Xeros Limited allotted and issued the following shares:

- On 4 March 2013, 102,881 C ordinary shares of £0.0001 each and 7,825 C1 ordinary shares of £0.0001 each at a price of £90.62 per share (and aggregate subscription of £10,032,178, of which £10,032,167 has been recognised in the share premium account).
- On 23 May 2013, 1,201 ordinary shares of £0.0001 each at a price of £18.00 per share (and aggregate subscription of £21,618, of which £21,618 has been recognised in the share premium account). These shares were issued on the exercise of share options.
- On 23 May 2013, 3,039 ordinary shares of £0.0001 each at a price of £22.00 per share (and aggregate subscription of £66,858, of which £66,858 has been recognised in the share premium account). In accordance with the shareholder agreement, the subscription amount is treated as deferred consideration, which is included in debtors (see note 18). The payment of the deferred consideration by the shareholders is due only when called by Xeros Limited, or if certain triggering events arise. At 31 July 2013, the company had not called for the payment to be made and no triggering events had arisen.
- Issue costs amounting to £145,564 have been charged to the share premium account in the year.

(v) During the year ended 31 July 2013, all the Series A preferred shares of £0.0001 each were redesignated as B ordinary shares of £0.0001 each.

Share rights

Income

Any profits which Xeros Limited determines to distribute in respect of any financial year shall be distributed amongst all shareholders in all share classes pro rata according to the respective numbers of shares held by each of them as if all share classes constituted one and the same class.

Capital

The C ordinary shares have priority over all other shares on a distribution of assets arising from a liquidation, a return of capital, a sale of share capital or all, or substantially all, of the assets of the company, a merger, or other distribution to shareholders, or an Initial Public Offering. C ordinary shares have the right to convert to ordinary shares on request in proportion to their current shareholding.

The C1 ordinary shares have priority over all other shares on a distribution of assets arising from a return of capital, a sale of share capital or all, or substantially all, of the assets of the company, a merger, or other distribution to shareholders, or an Initial Public Offering. C1 ordinary shares have the right to convert to ordinary shares on request in proportion to their current shareholding.

The B ordinary shares have priority over other shares (other than C ordinary shares) on a distribution of assets arising from a liquidation. B ordinary shares have a priority over other shares (other than C ordinary and C1 ordinary shares) on a distribution of assets arising from a return of capital, sale of share capital or all, or substantially all, of the assets of the company, a merger, or other distribution to shareholders, or an Initial Public Offering. B ordinary shares have the right to convert to ordinary shares on request in proportion to their current shareholding.

The A ordinary shares have priority over other shares (other than B ordinary and C ordinary shares) on a distribution of assets arising from a liquidation. A ordinary shares have priority over other shares (other than B ordinary, C ordinary and C1 ordinary shares) on a distribution of assets arising from a return of capital, sale of share capital or all, or substantially all, of the assets of the company, a merger, or other distribution to shareholders, or an Initial Public Offering. A ordinary shares have the right to convert to ordinary shares on request in proportion to their current shareholding.

24 Share capital (continued)

The ordinary shares each carry one vote and the right to participate in the distribution of dividends. Ordinary shares carry certain rights to participate in a distribution of capital arising from a liquidation, sale of share capital or all, or substantially all, of the assets of the company, a merger, another distribution to shareholders, or an Initial Public Offering (following distribution to holders of all other classes of shares).

Voting

All share classes have the right to receive notice of and attend and vote at any general meeting of Xeros Limited.

25 Share-based payments

Xeros Limited - Share Option arrangements

Xeros Limited has a share option plan under which it grants options over ordinary shares to certain Directors, employees and consultants of Xeros Limited. Options are exercisable at a price equal to the market price of Xeros Limited's shares on the date of the grant. The vesting period for shares is usually over a period of three years. The options are settled in equity once exercised. If the options remain unexercised for a period after 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves Xeros Limited before the options vest.

Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the period are as follows:

	Year ended 31 July 2011		Year ended 31 July 2012		Year ended 31 July 2013	
	No	WAEP £	No	WAEP £	No	WAEP £
Outstanding at the beginning of the year	5,800	18.00	12,032	22.66	15,635	23.66
Granted during the year.....	6,232	27.00	6,231	27.00	10,588	20.00
Lapsed during the year.....	–	–	(2,628)	(27.00)	(525)	(27.00)
Exercised during the year	–	–	–	–	(1,201)	(18.00)
Outstanding at the end of the year	<u>12,032</u>	<u>22.66</u>	<u>15,635</u>	<u>23.66</u>	<u>24,497</u>	<u>22.28</u>
Exercisable at year end	<u>4,950</u>	<u>18.00</u>	<u>7,904</u>	<u>20.40</u>	<u>15,549</u>	<u>22.35</u>

The options outstanding at 31 July 2013 had a weighted average exercise price of £22.28 and a weighted average remaining contractual life of 8.65 years. The exercise price of options outstanding at 31 July 2013 ranges from £18.00 per share to £27.00 per share.

The fair values were calculated using the Black Scholes pricing model. The inputs into the model were as follows:

	Year ended 31 July 2011 £	Year ended 31 July 2012 £	Year ended 31 July 2013 £
Expected life of options – years.....	6	6	6
Weighted average exercise price – £	27.00	27.00	20.00
Weighted average share price at grant date – £.....	27.00	27.00	20.00
Expected volatility – %.....	40%	40%	40%
Risk free rate – %.....	2.02%	2.02%	2.02%

Xeros Limited uses historical data to estimate option exercise and employee retention within the valuation model. Expected volatilities are based upon implied volatilities as determined by a simple average of a sample of listed companies based in similar sectors. The risk free rate for the period within the contractual life of the option is based on the UK gilt yield curve at the time of the grant.

Xeros Limited recognised a charge of £100,277 (31 July 2012: £36,616, 31 July 2011: £38,503) related to equity settled share based payment transactions during the year. Of this total, all related to employees (including Directors) and consultants. The majority of the options in existence have no performance criteria.

26 Related party transactions

Remuneration of key personnel

The remuneration of the Directors, who are the key management personnel of Xeros Limited, is shown below:

	Year ended 31 July 2011 £	Year ended 31 July 2012 £	Year ended 31 July 2013 £
Executive Directors – aggregate			
Salaries	213,134	242,510	303,648
Benefits in kind.....	476	1,139	1,251
	<u>213,610</u>	<u>243,649</u>	<u>304,899</u>
Non-executive Directors – aggregate			
Salaries and fees	20,000	21,666	20,000
Benefits in kind.....	–	–	2,912
Payments to third parties	39,250	45,000	38,749
	<u>59,250</u>	<u>66,666</u>	<u>61,661</u>
Total Directors' remuneration	<u><u>272,860</u></u>	<u><u>310,315</u></u>	<u><u>366,560</u></u>

Remuneration and benefits paid to the highest paid Director totalled £156,305 (31 July 2012: £134,475, 31 July 2011: £124,929).

Amounts outstanding to key personnel

As at 31 July 2013, £nil (31 July 2012: £4,500, 31 July 2011: £6,000) was due to Directors of Xeros Limited in relation to reimbursement of fees and expenses arising in the ordinary course of business.

Transactions with Xeros Limited's shareholders

Details of balances outstanding between Xeros Limited and its shareholders in respect of share capital transactions are set out in note 18.

The amounts invoiced by shareholders and other related parties in each period (including VAT) were as follows:

	Year ended 31 July 2011 £	Year ended 31 July 2012 £	Year ended 31 July 2013 £
The University of Leeds and its associated companies (The University of Leeds Consulting Limited, The University of Leeds IP Limited and Leeds Innovation Centre Limited)			
Facility fees	–	10,000	7,680
Consultancy fees	18,000	19,212	–
Patent and IP costs	554	–	–
Rent and Office running costs.....	169	–	–
	<u>18,723</u>	<u>29,212</u>	<u>7,680</u>

26 Related party transactions (continued)

	Year ended 31 July 2011 £	Year ended 31 July 2012 £	Year ended 31 July 2013 £
Techtran Group Limited and its associated companies (IP2IPO Limited and Top Technology Ventures Limited)			
Business support fees and office running costs	9,032	7,936	67
Director's fees for Mr C Winward	13,500	18,000	16,000
Business development fees.....	4,946	–	–
Travel and other costs	1,586	–	–
Corporate finance fees	64,000	41,250	74,597
Other professional fees.....	7,399	–	–
	<u>100,463</u>	<u>67,186</u>	<u>90,664</u>
Enterprise Ventures Limited			
Director's fees for Mr J Viggars.....	20,194	18,000	15,500
Travel and subsistence	142	–	–
	<u>20,336</u>	<u>18,000</u>	<u>15,500</u>
Entrepreneurs Fund Management LLP			
Director's fees for Mr D Brenninkmeijer	12,000	18,000	16,000
	<u>12,000</u>	<u>18,000</u>	<u>16,000</u>
The balances outstanding to shareholders at the end of the period are as follows:			
	As at 31 July 2011 £	As at 31 July 2012 £	As at 31 July 2013 £
The University of Leeds and its associated companies (The University of Leeds Consulting Limited, The University of Leeds IP Limited and Leeds Innovation Centre Limited)			
Facility fees	–	–	1,620
Consultancy fees	6,000	–	–
	<u>6,000</u>	<u>–</u>	<u>1,620</u>
Techtran Group Limited and its associated companies (IP2IPO Limited and Top Technology Ventures Limited)			
Business support fees and office running costs	607	–	–
Director's fees for Mr C Winward	–	4,500	–
	<u>607</u>	<u>4,500</u>	<u>–</u>
Enterprise Ventures Limited			
Director's fees for Mr J Viggars.....	1,500	–	–
	<u>1,500</u>	<u>–</u>	<u>–</u>
Entrepreneurs Fund Management LLP			
Director's fees for Mr D Brenninkmeijer	4,500	–	–
	<u>4,500</u>	<u>–</u>	<u>–</u>

27 Obligations under operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	As at 31 July 2011 £	As at 31 July 2012 £	As at 31 July 2013 £
Less than one year.....	14,730	36,936	36,936
Between one and five years	3,069	7,695	7,695
	<u>17,799</u>	<u>44,631</u>	<u>44,631</u>

On 19 October 2009, Xeros Limited entered into a lease in respect of a property. Xeros Limited has an annual rent commitment of £14,730 and the lease contains break clauses every 12 months. This lease expires on 18 October 2014.

On 2 March 2012, Xeros Limited entered into a further lease in respect of a second unit in the property. Xeros Limited has an annual rent commitment of £22,206 on that lease and the lease contains break clauses every 12 months. This lease expires on 18 October 2017.

28 Subsequent events

Under the terms of a manufacturing agreement between Xeros Limited and Jiangsu Sea-lion Machinery Group, Xeros Limited is committed to acquire machines at a total cost of approximately \$2.7 million by the end of 2014.

On 17 March 2014 Xeros Technology Group plc acquired Xeros Limited via a share-for-share exchange transaction and the shareholders of Xeros Limited became shareholders, in the same percentages, of Xeros Technology Group plc and Xeros Limited became a 100 per cent. subsidiary of Xeros Technology Group plc.

On 10 March 2014, Xeros Technology Group plc submitted AIM Schedule 1 (“10 day”) announcement to the London Stock Exchange.

There have been no other substantial events since the year ended 31 July 2013 that require disclosure.

29 First-time adoption of IFRS

Xeros Limited has previously produced and filed financial statements under Financial Reporting Standard for Smaller Entities (effective April 2008) (FRSSE). For the purpose of the Admission Document it has produced this Financial Information in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted by the European Union.

Reconciliations between IFRS and FRSSE

Certain presentation differences between FRSSE and IFRS have no impact on reported profit or total equity. Some line items are described differently (renamed) under IFRS compared with previous FRSSE, although the assets and liabilities included in those line items are unaffected.

29 First-time adoption of IFRS (continued)

The following reconciliations provide a quantification of the effect of the transition to IFRS, with notes to the reconciliations. The cash flow statements for all periods under IFRS are also the same as under FRSSSE apart from presentational differences.

Reconciliation for the year ended 31 July 2011

	FRSSE	Reclassification	IFRS2 Share-based payment charge	IAS 19 Holiday pay accrual	IFRS
	£	£	£	£	£
Reconciliation of net income					
Revenues	163,533	(153,071)	–	–	10,462
Cost of sales	–	–	–	–	–
Gross profit.....	163,533	(153,071)	–	–	10,462
Administrative expenses.....	(1,121,648)	–	(38,503)	(9,522)	(1,169,673)
Other operating income.....	42,183	153,071	–	–	195,254
Loss from operations	(915,932)	–	(38,503)	(9,522)	(963,957)
Finance income	5,621	–	–	–	5,621
Finance costs.....	–	–	–	–	–
Loss before taxation.....	(910,311)	–	(38,503)	(9,522)	(958,336)
Taxation	(16,425)	–	–	–	(16,425)
Loss for the year.....	(926,736)	–	(38,503)	(9,522)	(974,761)

	FRSSE	IFRS2 Share-based payment charge	IAS 19 Holiday pay accrual	IFRS
	£	£	£	£
Reconciliation of net assets				
Non-current assets	83,313	–	–	83,313
Current assets	1,444,258	–	–	1,444,258
Current liabilities				
Trade and other payables	(167,988)	–	(9,522)	(177,510)
Non-current liabilities.....	(16,425)	–	–	(16,425)
Net assets	1,343,158	–	(9,522)	1,333,636
Equity				
Share capital	9	–	–	9
Share premium account	3,619,649	–	–	3,619,649
Profit and loss reserve	(2,276,500)	–	(9,522)	(2,286,022)
Total equity	1,343,158	–	(9,522)	1,333,636

29 First-time adoption of IFRS (continued)

Reconciliation for the year ended 31 July 2012

	FRSSE £	Reclassification £	IFRS2 Share-based payment charge £	IAS 19 Holiday pay accrual £	IFRS £
Reconciliation of net income					
Revenues	82,811	(81,140)	–	–	1,671
Cost of sales	–	–	–	–	–
Gross profit.....	82,811	(81,140)	–	–	1,671
Administrative expenses.....	(1,893,015)	–	(36,616)	(9,701)	(1,939,332)
Other operating income.....	132,135	81,140	–	–	213,275
Loss from operations	(1,678,069)	–	(36,616)	(9,701)	(1,724,386)
Finance income	9,249	–	–	–	9,249
Finance costs.....	–	–	–	–	–
Loss before taxation.....	(1,668,820)	–	(36,616)	(9,701)	(1,715,137)
Taxation	140,664	–	–	–	140,664
Loss for the year.....	(1,528,156)	–	(36,616)	(9,701)	(1,574,473)
Reconciliation of net assets					
	FRSSE £		IFRS2 Share-based payment charge £	IAS 19 Holiday pay accrual £	IFRS £
Non-current assets	111,179		–	–	111,179
Current assets	1,837,574		–	–	1,837,574
Current liabilities					
Trade and other payables	(206,001)		–	(19,223)	(225,224)
Non-current liabilities.....	(12,764)		–	–	(12,764)
Net assets	1,729,988		–	(19,223)	1,710,765
Equity					
Share capital	12		–	–	12
Share premium account	5,534,632		–	–	5,534,632
Profit and loss reserve	(3,804,656)		–	(19,223)	(3,823,879)
Total equity	1,729,988		–	(19,223)	1,710,765

29 First-time adoption of IFRS (continued)

Reconciliation for the period ended 31 July 2013

	FRSSE £	IFRS2 Share-based payment charge £	IAS 19 Holiday pay accrual £	IFRS £
Reconciliation of net income				
Revenues	64,667	–	–	64,667
Cost of sales	(52,684)	–	–	(52,684)
Gross profit	11,983	–	–	11,983
Administrative expenses	(3,550,816)	(100,277)	(13,963)	(3,665,056)
Other operating income	190,734	–	–	190,734
Loss from operations	(3,348,099)	(100,277)	(13,963)	(3,462,339)
Finance income	52,684	–	–	52,684
Finance costs	(2)	–	–	(2)
Loss before taxation	(3,295,417)	(100,277)	(13,963)	(3,409,657)
Taxation	165,739	–	–	165,739
Loss for the year	(3,129,678)	(100,277)	(13,963)	(3,243,918)
Reconciliation of net assets				
	FRSSE £	IFRS2 Share-based payment charge £	IAS 19 Holiday pay accrual £	IFRS £
Non-current assets	113,493	–	–	113,493
Current assets	8,867,089	–	–	8,867,089
Current liabilities				
Trade and other payables	(388,700)	–	(33,186)	(421,886)
Non-current liabilities	(16,482)	–	–	(16,482)
Net assets	8,575,400	–	(33,186)	8,542,214
Equity				
Share capital	24	–	–	24
Share premium account	15,509,710	–	–	15,509,710
Profit and loss reserve	(6,934,334)	–	(33,186)	(6,967,520)
Total equity	8,575,400	–	(33,186)	8,542,214

29 First-time adoption of IFRS (continued)

Notes to the reconciliations

The only material adjustments on transition to IFRS from FRSSE were as follows:

- (a) The Historical Group has applied IFRS 2 to calculate the fair value of share options using an appropriate pricing model. This expense is recognised over the vesting period. Share options granted and still vesting at 31 July 2013 are recognised within equity at 31 July 2013.
- (b) The Historical Group has applied IAS 36 in determining whether any impairment losses arose at the date of transition to IFRS. No impairment losses (or reversals) were identified. The estimates used for this analysis were consistent with the estimates used under FRSSE at the same date.
- (c) The Historical Group has applied IAS 19 in determining employee benefits at each period end. Accruals have been made under IFRS for holiday pay and associated employer's national insurance which were not previously made under FRSSE.
- (d) The Historical Group has applied IAS 7 in respect of the classification of cash balances and deposits. Amounts held in fixed rate bonds and deposit accounts with maturity dates over 3 months have been reclassified as current asset investments rather than being shown within cash and cash equivalents.
- (e) The above adjustments will have affected the loss per share calculation (although this was not required to be disclosed under FRSSE) as a result of the increase in the loss before taxation.
- (f) Income in respect of joint development agreements, which was included in revenue in the financial statements prepared under FRSSE has been reclassified within other operating income under IFRS.

PART IV

TAXATION

1 Introduction

- 1.1 The following paragraphs are intended as a general guide only and are based on current United Kingdom legislation and HMRC practice as at the date of this document (both of which are subject to change at any time, possibly with retrospective effect). Except where the position of non-United Kingdom resident shareholders is expressly referred to, these comments deal only with the position of shareholders who are resident in and, in the case of individuals, domiciled in, the United Kingdom for tax purposes, who are the beneficial owners of their Ordinary Shares and who hold their Ordinary Shares as an investment. They do not deal with the position of certain classes of shareholders such as dealers in securities, financial institutions, tax exempt organisations and holders that hold (either directly or indirectly) 10 per cent. or more of the shares in the Company. The following paragraphs are not exhaustive and are intended as a general guide only.
- 1.2 Any person who is in any doubt as to his or her own tax position, or is subject to taxation in a jurisdiction other than the United Kingdom, is strongly recommended to consult their professional tax advisor.

2 Taxation of Chargeable Gains

Individuals

- (a) Where an individual Shareholder disposes of Ordinary Shares at a gain, capital gains tax will be levied to the extent that the gain exceeds the annual exemption (£10,900 for 2013/14) and after taking account of any exemptions and reliefs available to the individual.
- (b) For individuals, the starting rate for capital gains tax is 18 per cent. This rate applies where the individual's income and gains are less than the upper limit of the income tax basic rate band after taking into account the individual's personal allowance. The basic rate band for 2013/14 is £32,010. To the extent that any chargeable gains, or part of any chargeable gain, aggregated with income arising in a tax year exceed the upper limit of the income tax basic rate band, capital gains tax will be charged at 28 per cent.
- (c) For trustees and personal representatives of deceased persons, capital gains tax on gains in excess of the current annual exempt amount (for 2013/14, £10,900 for personal representative of deceased persons and trustees for disabled persons and £5,450 for other trustees) will be charged at a flat rate of 28 per cent.
- (d) Where a Shareholder disposes of the Ordinary Shares at a loss, the loss may be available to offset against other current year gains or carried forward to offset against future gains.

Companies

- (a) Where a Shareholder is within the charge to corporation tax, a disposal of Ordinary Shares may give rise to corporation tax on a chargeable gain (or allowable loss) for the purposes of UK corporation tax, depending on the circumstances and subject to any available exemption or relief. Corporation tax is charged on chargeable gains at the rate applicable to that company (23 per cent. for the financial year 1 April 2013 to 31 March 2014). Indexation allowance may reduce the amount of chargeable gain that is subject to corporation tax but may not create or increase any allowable loss.

3 Taxation of Dividends

Individuals

- (a) No tax is required to be withheld from dividend payments made by the Company.
- (b) An individual Shareholder receiving a dividend from the Company also receives a notional tax credit in respect of the dividend of an amount equal to one-ninth of the amount of the net dividend (which is 10 per cent. of the sum of the dividend and the tax credit). The liability to United Kingdom income tax is calculated on the gross dividend income (i.e. the net dividend received plus the notional 10 per cent. tax credit) which will be regarded as the top slice of the individual's income.

- (c) Individual Shareholders whose income is within the basic rate tax band (currently £32,010 after the personal allowance) will be subject to dividend income tax at the rate of 10 per cent., so that (after taking into account the notional 10 per cent. credit) such Shareholders will have no further liability to income tax on that dividend income.
- (d) Individual Shareholders who are subject to the higher rate of income tax (broadly, where income exceeds £32,010 after the personal allowance) will be subject to income tax on the gross dividend at 32.5 per cent., but will be able to set the tax credit off against part of this liability.
- (e) Individual Shareholders who are subject to the additional rate of income tax (broadly, where income exceeds £150,000) will be subject to dividend income tax at 37.5 per cent., but will be able to set the tax credit off against part of this liability.
- (f) Dividends payable to trustees of discretionary trusts will be subject to dividend income tax at 37.5 per cent. Trustees of life interest trusts and personal representatives of deceased persons will be subject to dividend income tax at 10 per cent., so that (after taking into account the notional 10 per cent. credit) such Shareholders will have no further liability to income tax on that dividend income.
- (g) Shareholders who are not liable to income tax on the dividend income (or any part of it) may not claim payment of the tax credit (or any part of it).

Companies

- (a) Shareholders within the charge to UK corporation tax which are “small companies” (for the purposes of UK taxation of dividends) will not generally expect to be subject to tax on dividends from the Company.
- (b) Other Shareholders within the charge to UK corporation tax will not be subject to tax on dividends (including dividends from the Company) so long as the dividends fall within an exempt class and certain conditions are met. In general, dividends paid on shares that are “ordinary share capital” for UK tax purposes and are not redeemable, and dividends paid to a person holding less than 10 per cent. of the issued share capital of the payer (or any class of that share capital) are examples of dividends that fall within an exempt class. United Kingdom resident Shareholders (including authorised unit trusts and open ended investment companies) and pension funds are not entitled to claim payment of the tax credit (or any part of it).

4 Stamp Duty and Stamp Duty Reserve Tax (SDRT)

- (a) It was announced in the 2013 Budget that stamp duty and SDRT will be abolished on transactions in shares traded on the small companies markets, such as AIM and the ISDX Growth Market. The draft Finance Bill published in December 2013 includes provisions to abolish these charges with effect from 28 April 2014. Until that date, the rules set out below will apply.
- (b) Except in relation to depositary receipt systems and clearance services (to which the special rules apply), no stamp duty or SDRT will be levied on the issue of Ordinary Shares in registered form.
- (c) A sale of Ordinary Shares will generally be subject to ad valorem stamp duty at the rate of 0.5 per cent., rounded up to the nearest multiple of £5 on the amount or value of the consideration paid by the purchaser. If an unconditional agreement for the transfer of such Ordinary Shares is not completed by a duly stamped transfer to the transferee by the seventh date of the month following the month in which the agreement becomes unconditional, SDRT will be payable on the agreement at the rate of 0.5 per cent. of the amount or value of consideration paid. Liability to SDRT is generally that of the transferee. Where a purchase or transfer is effected through a member of the London Stock Exchange or a qualified dealer, the said member or dealer will normally account for the SDRT.
- (d) When Ordinary Shares are transferred to a CREST member who holds those shares in uncertificated form as a nominee for the transferor, no stamp duty or SDRT will generally be payable.
- (e) When Ordinary Shares are transferred by a CREST member to the beneficial owner (on whose behalf it has held them as nominee) no stamp duty or SDRT will generally be payable.
- (f) Where a change in beneficial ownership of Ordinary Shares held in uncertificated form occurs and such change is for consideration in money or money's worth (whether the transferee will hold those shares in certificated or uncertificated form) a liability to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration will arise. This will generally be met by the new beneficial owner.

5 Inheritance Tax

- (a) Individual and trustee investors domiciled or deemed to be domiciled in any part of the UK may be liable on occasions to IHT on the value of any Ordinary Shares held by them. IHT may also apply to individual Shareholders who are not domiciled in the UK although relief under a double tax convention may apply to those in this position.
- (b) Under current law, the chief occasions on which IHT is charged are on the death of the Shareholder, on any gifts made during the seven years prior to the death of the Shareholder, and on certain lifetime transfers, including transfers to trusts or appointments out of trusts to beneficiaries, save in very limited and exceptional circumstances.
- (c) However, a relief from IHT known as BPR may apply to Ordinary Shares once these have been held for two years. This relief applies notwithstanding that the Company's shares will be admitted to trading on AIM (although it does not apply to companies whose shares are listed on the Official List). BPR operates by reducing the value of shares by 100 per cent. for IHT purposes.

6 VCT and EIS

- (a) Advance assurance has been sought and obtained from HMRC that the Company should be a "qualifying company" for the purpose of investment by VCTs or individuals seeking to claim EIS relief.
- (b) The qualifying status for VCT and EIS purposes will be contingent upon certain conditions being met by both the Company and the relevant investor. Neither the Company nor the Company's advisors give any warranties or undertakings that either VCT or EIS status will be available or that, if initially available, such status will not be subsequently withdrawn. Should the law regarding the VCT scheme or EIS scheme change then any qualifying status previously obtained may be lost.
- (c) Circumstances may arise (which may include the sale of the Company) where the Directors believe that the interests of the Company are not best served by acting in a way that preserves VCT or EIS qualifying status. In such circumstances, the Company cannot undertake to conduct its activities in a way designed to secure or preserve any such status claimed by any Shareholder.

PART V

ADDITIONAL INFORMATION

1 Responsibility

The Company and the Directors, whose names and functions are set out on page 2 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2 The Company and the Group

- 2.1 The Company was incorporated and registered in England and Wales on 10 September 2013 under the name Hamsard 3323 Limited with registered number 08684474, as a private company limited by shares under the Act. The Company changed its name to Xeros Technology Group plc and was re-registered as a public limited company on 18 March 2014.
- 2.2 The liability of the members of the Company is limited to the amount paid up or to be paid up on its shares.
- 2.3 The Company's registered office and its principal place of business is at Unit 14, Evolution, Advanced Manufacturing Park, Whittle Way, Catcliffe, Rotherham, South Yorkshire, S60 5BL and its telephone number is at + 44 (0)114 2699 656. The Company is domiciled in England.
- 2.4 The Company's website, at which the information required by Rule 26 of the AIM Rules can be found, is www.xeroscleaning.com.
- 2.5 The Company's main activity is that of a holding company.
- 2.6 The Company has, currently, two wholly-owned subsidiary companies:
 - (a) Xeros Limited, which was incorporated in England and Wales on 12 September 2006 as a private limited company under registered number 05933013 and its principal activity is the research, development and commercialisation of polymer bead cleaning alternatives to traditional aqueous based cleaning; and
 - (b) Xeros Inc, which was incorporated in Delaware, US on 19 December 2012 and its principal activity is the commercialisation of polymer bead cleaning alternatives to traditional aqueous based cleaning.

3 Share capital

- 3.1 The issued share capital of the Company at the date of this document and following the Placing (assuming full subscription) is and will be as follows:

Issued and fully paid prior to the Placing and Admission		Issued and fully paid following the Placing and Admission	
Nominal Value £	Number of Ordinary Shares of £0.0015 each	Nominal Value £	Number of Ordinary Shares of £0.0015 each
63,976	42,650,970	97,610.32	65,073,549

- 3.2 On incorporation of the Company, one ordinary share of £1.00 was issued to the subscriber, and was transferred to Chris Hanson on 6 March 2014.
- 3.3 The following is a summary of the changes in the issued share capital of the Company since its incorporation:
 - (a) by a special resolution dated 17 March 2014, the Company adopted articles of association providing that the share capital of the Company be comprised of Xeros Ordinary Shares, A Ordinary Shares, B Ordinary Shares, C Ordinary Shares and C1 Ordinary Shares;
 - (b) on 17 March 2014, in aggregate 37,756 Xeros Ordinary Shares, 31,490 A Ordinary Shares, 64,144 B Ordinary Shares, 102,881 C Ordinary Shares and 7,825 C1 Ordinary Shares were issued to the shareholders of Xeros Limited, fully paid, in consideration of the acquisition of the entire issued share capital of Xeros Limited;
 - (c) on 18 March 2014, 8,148 C1 Ordinary Shares and 3,658 C Ordinary Shares were allotted to EIS investors at a price of £205 per C1 Ordinary Share and C Ordinary Share (which equated to the Placing Price on conversion into Ordinary Shares as described in paragraph (d) below);

- (d) by a special resolution dated 18 March 2014, conditional upon and with effect from Admission, each Xeros Ordinary Share, A Ordinary Share, B Ordinary Share, C Ordinary Share and C1 Ordinary Share in issue was redesignated as 166.6666667 Ordinary Shares, having the rights set out in the Articles.

3.4 By ordinary and special resolutions passed on 18 March 2014;

- (a) the directors of the Company were authorised, for the purposes of section 551 of the Act to allot relevant securities in the capital of the Company:
 - (i) up to a nominal amount of £34,000 in connection with the Placing; and
 - (ii) condition upon Admission, otherwise than pursuant to sub-paragraph 3.4(a) (i) above, a general authority of up to a nominal amount of £32,700,
such authorisation to expire at midnight on 31 December 2015 or at the conclusion of the next annual general meeting (whichever is earlier); and
- (b) subject to the passing of the resolution detailed in paragraph 3.4(a) above (the “section 551 Resolution”), the Directors were empowered to allot equity securities pursuant to the section 551 Resolution as if section 561(1) of the Act did not apply, such power being limited to:
 - (i) conditional upon Admission, the allotment of equity securities pursuant to paragraph 3.4(a)(i) above of the section 551 Resolution;
 - (ii) conditional upon Admission, the allotment of equity securities in connection with an offer to all the holders of Ordinary Shares in proportion (as nearly may be) to the number of Ordinary Shares held by them (but subject to such exclusions, limits or restrictions or other arrangements as the Directors may consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates or legal, regulatory or practical problems, in or under the laws of any territory or the requirements of any regulatory body or in any stock exchange in any territory or otherwise howsoever); and
 - (iii) conditional upon Admission, otherwise than pursuant to paragraph 3.4.(b)(i) above, the allotment of equity securities up to an aggregate nominal amount of £5,000,
such power to expire on midnight on 31 December 2015 or at the conclusion of the next annual general meeting of the Company (whichever is the earlier).

3.5 Save as disclosed in paragraphs 3.2, 3.3, 3.4, 3.6, and 7 of this Part V of this document:

- (a) no share capital of the Company or of any member of the Group is under option or has been agreed conditionally or unconditionally to be put under option;
- (b) 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;
- (c) no commission, discount, brokerage or any other special term has been granted by the Company or is now proposed in connection with the issue or sale of any part of the share or loan capital of the Company;
- (d) no persons have preferential subscription rights in respect of any share or loan capital of the Company or any subsidiary; and
- (e) no amount or benefit has been paid or is to be paid or given to any promoter of the Company.

3.6 On Admission there will be a total of 6,332,597 options to subscribe for Ordinary Shares details of which are set out in paragraph 7 of this Part V. A summary of the terms of which is set out in paragraph 7 of this Part V.

3.7 Otherwise than pursuant to the Placing, none of the Ordinary Shares have been sold or are available in whole or in part to the public in conjunction with application for the Ordinary Shares to be admitted to AIM.

3.8 The Existing Ordinary Shares are, and the Placing Shares will be, in registered form and may be held in either certificated or uncertificated form. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificates and transferred otherwise than by written instrument. The Articles permit the holding of Ordinary Shares under the CREST system. Accordingly, it is intended that following Admission settlement of transactions in the Ordinary Shares may take place within the CREST system if the relevant shareholders so wish.

3.9 There are no listed or unlisted securities issued by the Company not representing share capital.

3.10 The Placing Shares will rank *pari passu* in all respects with the Existing Ordinary Shares including the right to receive all dividends and other distributions declared, made or paid after Admission on the issued share capital.

4 Articles of Association

Objects

Pursuant to section 31 of the 2006 Act, the objects for which the Company is established are unrestricted and the Company has full power and authority to carry out any object not prohibited by law.

Articles

The Articles, which have been adopted conditional on Admission, contain provisions, *inter alia*, to the following effect:

4.1 Variation of class rights and class meetings

Whenever the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class may be varied or abrogated in such manner (if any) as may be provided by those rights or (in the absence of any such provision) either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of that class or with the authority of a special resolution passed at a separate general meeting of the holders of the shares of that class.

The provisions of the Articles relating to general meetings of the Company apply to every separate general meeting of the holders of any class of shares except that:

- (a) the necessary quorum (other than at an adjourned meeting) is two persons holding or representing by proxy at least one-third in nominal value of the issued shares of that class;
- (b) if any such separate general meeting is adjourned, the quorum at the adjourned meeting shall be those holders who are present in person or by proxy;
- (c) every holder of shares of the class shall, on a poll, have one vote in respect of every share of the class held by him; and
- (d) any holder of shares of the class in question who is present in person or by proxy and entitled to vote may demand a poll.

4.2 Convening general meetings

- (a) Annual general meetings of the Company shall be convened in accordance with the 2006 Act. The Directors may convene other general meetings whenever they think fit, and are required to do so if requisitioned by members in accordance with the Statutes.
- (b) If at any time there are not within the United Kingdom sufficient Directors to call a general meeting, any Director or any two Shareholders may convene a general meeting.
- (c) The Company shall determine the time, being no more than 48 hours before the time fixed for the meeting, by which a person must be entered on the register of members in order to be entitled to attend or vote at a general meeting.

4.3 Ownership threshold and change of control

The Articles do not prescribe any ownership threshold above which Shareholder 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.

4.4 Alteration of capital

The Articles do not impose any conditions governing changes in the capital of the Company which are more stringent than is required by law.

4.5 Transfer of shares

- (a) Shares may be held in uncertificated form and uncertificated shares may be transferred in accordance with the rules, procedures and practices of the relevant system and the Uncertificated Securities Regulations. The directors may refuse to register a transfer of any such share where permitted by those Regulations.
- (b) Transfers of shares in certificated form may be effected by an instrument of transfer in any usual form or in any other form approved by the directors. The instrument of transfer shall be signed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee.

- (c) The directors may refuse to register the transfer of a share held in certificated form unless the instrument of transfer:
 - (i) is in respect of a share which is fully paid up;
 - (ii) is left at the office, or such other place as the directors may decide for registration;
 - (iii) is in respect of only one class of share;
 - (iv) is in favour of not more than four transferees;
 - (v) is duly stamped (if required); and
 - (vi) is accompanied by the certificate(s) for the shares to which it relates and such other evidence as the directors may reasonably require to prove the title of the transferor to make the transfer.
- (d) A transferor shall remain the holder of the share concerned (whether a certificated share or an uncertificated share) until the name of the transferee is entered in the register of members as the holder of that share.

4.6 Restrictions on voting, dividends and transfer of default shares

- (a) If a member or any person appearing to be interested in shares in the Company has been duly served with a notice under section 793 of the Act and is in default in supplying to the Company the information required in respect of the shares to which the notice relates (“**default shares**”) within 14 days after the service of such notice, (the “**direction notice**”) the restrictions set out in 8.6.2 and 8.6.3 shall apply.
- (b) The default shares shall not confer on the member concerned any entitlement to attend or vote, either personally or by proxy, at a general meeting or class meeting of the Company.
- (c) Where default shares represent at least 0.25 per cent. of the class of shares concerned, the holder of the default shares shall not be entitled in respect of the default shares:
 - (i) to receive any dividend or other distribution; and/or
 - (ii) to transfer or agree to transfer the default shares unless the transfer is an exempt transfer.

For this purpose, an “exempt transfer” is a transfer by the acceptance of a takeover offer or a transfer on sale of the whole beneficial interest to a bona fide unconnected third party (including through a sale through a recognised investment exchange as defined in the FSMA).

- (d) The terms of a direction notice shall cease to have effect seven days following due compliance, to the satisfaction of the directors, with the notice under section 793 of the 2006 Act or, if waived in whole or part by the directors, or if the transfer of any default shares is by way of an approved transfer, but only in respect of the default shares which are transferred.

4.7 Pre-emption rights

The Articles do not prescribe any rights of pre-emption in relation to offers for subscription of Ordinary Shares.

4.8 Redemption and conversion

The Ordinary Shares are not redeemable or convertible.

4.9 Participation in profits and assets

- (a) Subject to the superior rights of any other class or classes of shares that are, or may be, issued by the Company, the rights and restrictions attaching to the Ordinary Shares as regards participation in the profits and assets of the Company are as follows:
 - (i) any profits which the Company may determine to distribute in respect of any financial year shall be distributed among the holders of the Ordinary Shares pro rata according to the amounts paid up or credited as paid up on such shares held by them.
 - (ii) the capital and assets of the Company on a winding-up or other return of capital shall be applied in repaying to the holders of the Ordinary Shares the amounts paid up or credited as paid up on such shares and subject thereto shall belong to and be distributed according to the number of such shares held by them respectively.

4.10 Voting

- (a) On a show of hands, every member present in person has one vote, each authorised person appointed by a corporate Shareholder has one vote and every proxy present has one vote, unless he has been appointed by more than one member and has been instructed by one or more of those members to vote for the resolution and by one or more others to vote against it, in which case he has one vote for and one vote against the resolution.
- (b) In the case of a poll every member has one vote for every share held by him and his voting rights may be exercised by one or more proxies.
- (c) These voting rights are subject to any special rights or restrictions as to entitlement to vote on a particular resolution or at particular meetings imposed by or pursuant to the Articles or attached to any shares. These include, for example, that a person becoming entitled to a share by reason of a transmission event (such as death or bankruptcy) shall not be entitled to vote with respect to those shares before being registered as holder of such shares.

4.11 Dividends

- (a) The Ordinary Shares confer no fixed dividend entitlement. The Company may, by ordinary resolution, declare dividends but no such dividend shall exceed the amount recommended by the directors. The directors may from time to time pay such interim dividends as appear justified by the financial position of the Company.
- (b) The directors may deduct from any dividend or other moneys payable to any person or in respect of a share all such sums as may be due from him to the Company in relation to the shares of the Company.
- (c) All unclaimed dividends may be invested or otherwise made use of by the directors for the benefit of the Company until claimed. Any dividend which has remained unclaimed for a period of twelve years after having been declared or become due for payment shall be forfeited and shall revert to the Company.

4.12 Directors

- (a) Number of directors

Unless otherwise determined by the Company by ordinary resolution, the number of directors shall not be fewer than two and shall not be subject to any maximum.

- (b) Shareholding qualification

A director is not required to hold any shares in the Company. A director who is not a member of the Company shall nevertheless be entitled to receive notice of and to attend and speak at all general meetings and class meetings.

- (c) Directors' remuneration and expenses

- (i) Remuneration paid to the directors (other than executive directors) for their services as officers of the Company shall be such aggregate amount as the directors shall decide, provided that such fees do not exceed the sum of £250,000 per annum or such higher sum as the Company may by ordinary resolution determine, and shall accrue daily. Any such remuneration shall be distinct from any salary, remuneration or other amounts payable to the director pursuant to any other provision of the Articles.
- (ii) Any director who performs services which, in the opinion of the directors, go beyond the ordinary duties of a director and not in his capacity as a holder of employment or executive officer, may be paid such reasonable special remuneration as the directors or the remuneration committee may determine.
- (iii) The Company may also pay or repay to any director all travelling, hotel and other expenses reasonably and properly incurred in attending and returning from meetings of the directors or any committee of the directors or general meetings of the Company or separate meetings of the holders of any class of shares or debentures in the Company.
- (iv) The directors may establish and/or contribute to any pension, retirement or superannuation scheme or fund and may pay or agree to pay pension, retirement, superannuation benefits, annuities and other emoluments to (or to any person in respect of) any person who is or was at the time a director or officer or employee of the Company or any associated company, for his benefit or for the benefit of any member of his family. The directors may also establish and/or contribute to any death and/or disability scheme for the benefit of any person who is or was at the time a director or officer or employee of the Company or any associated company or for the benefit of any member of his family.

(d) Interests and conflicts

- (i) The directors are empowered pursuant to section 175 of the 2006 Act to authorise any matter which would or might otherwise constitute a breach of the duty of a director to avoid a situation in which he has, or can have, an interest that conflicts, or possibly may conflict, with the interests of the Company. Any such authorisation shall be subject to such conditions or limitations as the directors may determine, whether at the time such authorisation is given or subsequently, and may be terminated by the directors at any time. Neither the director in question nor any other interested director shall be counted in the quorum at the meeting at which the matter is considered or vote on any resolution concerning any such authorisation. Under section 175(3) of the 2006 Act, no such authorisation is required in relation to a conflict of interest arising in relation to a transaction or arrangement with the Company.
- (ii) A director, notwithstanding his office may be or become a director or other officer of, or hold any place of profit in, or act in a professional capacity for, or otherwise be interested in, any company in which the Company may be interested.
- (iii) Where a director has, or can have, an interest that conflicts, or possibly may conflict, with the interests of the Company or his duties to the Company and the matter constituting such conflict has been authorised by the directors or by the Company or is otherwise permitted by the Articles, subject to the terms on which any authorisation has been given:
 - (A) the director in question need not disclose to or use for the benefit of the Company any information relating to the relevant matter which he obtains or has obtained otherwise than as a director or employee of the Company and in respect of which he owes a duty of confidentiality to a person other than the Company;
 - (B) the director in question shall not, unless otherwise agreed, be liable to account to the Company for any profit, remuneration or other benefit realised by him as a consequence and no contract, transaction or arrangement relating to the relevant matter shall be liable to be avoided on the grounds of his conflict of interests or duties;
 - (C) the director in question need not attend meetings of the Board relating to the relevant matter.

(e) Alternate directors

- (i) Any director (other than an alternate director) has the power to appoint as his alternate, to exercise his powers and carry out his responsibilities during his absence (whether for a limited or an unlimited term), either another director or any other person approved for that purpose by a resolution of the directors. The appointment of an alternate director automatically determines: if his appointor terminates the appointment; or on the happening of any event which, if he were a director, would cause him to vacate the office of director; or if his appointor ceases for any reason to be a director otherwise than by retiring and being re-appointed at the same general meeting.
- (ii) An alternate director is entitled to receive notice of meetings of the directors and committees of which his appointment is a member and to attend and, in place of his appointor, to vote and be counted for the purpose of a quorum at any such meeting at which his appointor is not personally present and generally to perform all functions as a director of his appointor in his absence.
- (iii) An alternate director may be paid or repaid by the Company such expenses as might properly have been paid or repaid to him if he had been a director but shall not in respect of his office of alternate director be entitled to receive any remuneration from the Company except such part of his appointor's remuneration as his appointor may direct by notice in writing to the Company.

(f) Vacation of office

A director shall cease to be a director on the happening of any of the following events:

- (i) he becomes prohibited by law from acting as a director, or shall cease to be a director by virtue of any provision of the Statutes or these Articles;
- (ii) he gives notice of his wish to resign;
- (iii) he becomes bankrupt or he makes any arrangement or composition with his creditors generally or applies to the court for an interim order under section 253 of the Insolvency Act 1986 in connection with a voluntary arrangement under that Act;

- (iv) he is, or may be, suffering from mental disorder and in relation to that disorder either he is admitted to hospital for treatment or an order is made by a court (whether in the United Kingdom or elsewhere) for his detention or for the appointment of some person to exercise powers with respect to his property or affairs and, in either case, the Board resolves that his office be vacated;
- (v) he and his alternate (if any) are absent from meetings of the directors for the greater of six consecutive months without the consent of the directors and the directors resolve that his office be vacated;
- (vi) he is removed from office as a director by notice in writing signed by not less than three-quarters of all his co-directors, (without prejudice to any claim for damages which he may have for breach of any contract between him and the Company).

(g) Retirement by rotation

At each annual general meeting one-third of the directors or, if the number of directors is not three or a multiple of three, the number nearest to and exceeding one-third shall retire from office. If there are fewer than three directors, one director shall retire from office. Subject to the Act, the directors to retire by rotation shall be those who have been longest in office since their last appointment or reappointment but, as between directors who were appointed or reappointed on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

(h) Appointment

The Company may by ordinary resolution appoint any person who is willing to act and is permitted by law to do so to be a director. Without prejudice thereto, the directors have power at any time so to do, but so that the total number of directors shall not thereby exceed any maximum number fixed by or in accordance with the Articles. Any person so appointed by the directors shall hold office only until the conclusion of business at the next annual general meeting.

- (i) No person, other than a director retiring at the meeting, shall be eligible for appointment or re-appointment as a director at any general meeting unless: (a) he is recommended by the directors; or (b) not fewer than seven nor more than 14 Clear Days before the date appointed for the meeting the Company receives notice in writing signed by a Shareholder other than the nominee, containing specified information about the nominee and notifying the Shareholder's intention to propose him for appointment, together with a notice signed by the nominee of his willingness to be appointed.

(i) Proceedings of directors

- (i) The quorum necessary for the transaction of the business of the directors may be fixed from time to time by the directors and unless so fixed at any other number shall be two.
- (ii) Questions arising at any meeting of the directors shall be determined by a majority of votes. In the case of an equality of votes the chairman of the meeting shall have a second or casting vote.
- (iii) A resolution in writing signed by such number of the directors as are for the time being entitled to vote on that resolution shall be as effective as a resolution duly passed at a meeting of the directors.

(j) Restrictions on voting

- (i) Save as provided in the Articles, a director shall not vote (or, if he does, his vote shall not be counted) at a meeting of the directors in respect of any contract, arrangement, transaction or any other kind of proposal in which he has an interest which, together with any interest of a person connected with him (within the meaning of sections 252 and 253 Companies Act 2006) is to his knowledge a material interest. This prohibition does not apply in respect of any of the following matters:
 - (A) any contract, arrangement, transaction or proposal in which he is interested by virtue of an interest in shares, debentures or other securities of the Company or otherwise in or through the Company;
 - (B) the giving of any guarantee, security or indemnity in respect of:
 - (I) money lent or obligations incurred by him or by any other person at the request of, or for the benefit of, the Company or any of its subsidiary undertakings; or
 - (II) a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part (either alone or jointly with others) under a guarantee or indemnity or by the giving of security;

- (C) any issue or offer of shares, debentures or other securities of the Company or any of its subsidiary undertakings in respect of which he is or may be entitled to participate in his capacity as a holder of any such securities or as an underwriter or sub-underwriter;
 - (D) any contract, arrangement, transaction or proposal concerning any other company in which he, and any persons connected with him (within the meaning of sections 252 and 253 CA 2006), do not to his knowledge hold an interest in shares (within the meaning of sections 820 to 825 CA 2006) representing one per cent. or more of any class of the equity share capital of that company or of the voting rights available to members of that company;
 - (E) any arrangement for the benefit of employees of the Company or any of its subsidiary undertakings which does not accord to him any privilege or benefit not generally accorded to the employees to whom the arrangement relates; and/or
 - (F) the purchase or maintenance of insurance for the benefit of Directors or for the benefit of persons including Directors.
- (ii) A director shall not be counted in the quorum present at a meeting in relation to any resolution on which he is not entitled to vote.
- (k) Borrowing powers
- (i) The directors may exercise all the powers of the Company to borrow or raise money and mortgage or charge all or any part of its undertaking, property and assets (present and future), and uncalled capital, and subject to the Statutes, to create and issue debentures, other loan stock and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.
 - (ii) The directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any) to procure (as regards subsidiary undertakings, in so far as they are able) that the aggregate principal amount at any one time outstanding in respect of moneys borrowed by the Company and all of its subsidiary undertakings (if any) (other than intra-Group borrowing) shall not at any time, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to two times the Company's adjusted total of capital and reserves (as defined in the Articles).
- (l) Indemnity and insurance
- (i) Subject to the Statutes, but without prejudice to any indemnity to which he may otherwise be entitled, every director or other officer (excluding an auditor) of the Company shall be indemnified out of the assets of the Company against any liabilities incurred by him for negligence, default, breach of duty or breach of trust in relation to the affairs of the Company including where the Company is trustee of an occupational pension fund. Provided that no indemnity shall be provided to the extent that it would be void under the Statutes.
 - (ii) Subject to the Statutes, the directors may purchase and maintain insurance at the expense of the Company for the benefit of any person who is or was at any time: (a) a director or other officer or employee of the Company (other than auditor) or any body which is or was the holding company or subsidiary undertaking of the Company, or in which the Company or such holding company or subsidiary undertaking has or had any interest (whether direct or indirect) or with which the Company (or any such holding company or subsidiary undertaking) is or was in any way associated or allied; or (b) a trustee of any pension fund in which employees of the Company or any other body referred to in paragraph (a) above is or has been interested; including, without limitation, insurance against any liability incurred by such person in respect of any act or omission in the actual or purported exercise of his powers or otherwise in relation to his duties, powers or offices in relation to the relevant body or fund.

4.13 Untraced shareholders

The Company shall be entitled to sell, at the best price reasonably obtainable at the time of sale, the shares of a member or the shares to which a person is entitled by transmission if, during a period of 12 years at least three cash dividends in respect of those shares have become payable and no dividend in respect of those shares during that period has been claimed and within a further period of three months following the date of advertisements giving notice of its intention to sell such shares placed after the expiry of the period of 12 years, the Company, so far as the directors are aware, has not received any communication from such member or person entitled by transmission to the share. If the share is listed on the Official List of the UKLA or AIM the Company must also give notice to the UKLA or

AIM team of their intention to sell. The Company shall account to the person entitled to the share for the net proceeds of the sale.

5 Mandatory Bids, Presumed Concert Party, Share buy-back, Squeeze-out and Sell-out Rules

5.1 Mandatory bid

5.1.1 The City Code applies to the Company. Under the City Code, if an acquisition of Ordinary Shares and/or interests therein were to increase the aggregate holding of the acquirer and its concert parties to shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties, would be required (except with the consent of the Panel) to make a cash offer for the Ordinary Shares at a price not less than the highest price paid for the Ordinary Shares by the acquirer or its concert parties during the previous 12 months.

5.1.2 This requirement would also be triggered by any acquisition of Ordinary Shares and/or interest therein by a person holding (together with its concert parties) shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the total voting rights of the Company.

5.2 Invesco and IP Group Presumed Concert Party

Following Admission, as set out in paragraph 6.1.4 of this Part V, Invesco will hold approximately 27.1 per cent. of the voting rights attached to the issued share capital of the Company. Furthermore, because Invesco in addition holds over 20 per cent. of the voting rights attached to the issued share capital of IP Group, there is a presumption under the City Code (which has not been rebutted at the date of this Admission Document) that Invesco and IP Group are acting in concert in relation to their shareholdings in the Company. Following Admission, Invesco and IP Group will together hold approximately 45.6 per cent. of the voting rights attached to the issued share capital of the Company. Prospective investors should be aware that if Invesco or IP Group (together with any persons acting in concert with Invesco or IP Group) acquire an interest in any other shares in the Company which increases the percentage of the shares in which such concert party group have an interest, the concert party may be required by the Panel to make an offer for the shares in the Company not owned or controlled by them at that time. For the purpose of this paragraph 5.2.1 voting rights held by IP Group include voting rights held by or on behalf of certain of its directors and employees.

5.3 Share buy-back

While the Company does not intend to commence a buyback programme, any buyback which results in an increase in the percentage of voting shares held by Invesco, or an increase in the aggregate percentage of voting shares held by Invesco and IP Group, may need to be approved by a vote of independent Shareholders to avoid Invesco and IP Group being required to make a mandatory offer for the Company pursuant to Rule 9 of the City Code. The Company may propose such a 'whitewash' resolution at its future annual general meetings.

5.4 Squeeze-out

5.4.1 Under the Act, if an offeror were to acquire 90 per cent. of the Ordinary Shares to which an offer relates, within four months of making its offer it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in favour of the offeror and pay the consideration to the Company, which would hold the consideration on trust for outstanding Shareholders.

5.4.2 The consideration offered to the Shareholders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the takeover offer unless the Shareholders can show that the offer value is unfair.

5.5 Sell-Out

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

5.5.2 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 its rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

6. Directors' and Other Interests

6.1 Directors' and other significant interests in the Company's share capital.

6.1.1 At the date of this document and immediately following the Placing, the interests of the Directors and their immediate family members and persons connected with them (within the meaning of section 252 of the Act) in the share capital of the Company all of which are legal and beneficial (excluding any options under the New Option Schemes and Old Option Schemes (details of which are set out in paragraph 7 of this Part V)) (so far as the Directors are aware having made due and proper enquiry of such persons as are connected with each Director) are as follows:

Directors	Prior to the Placing and Admission		Immediately following the Placing and Admission	
	Number of Ordinary Shares	Percentage of issued share capital	Number of Ordinary Shares	Percentage of Enlarged Share Capital
John Andrew Walter Samuel	1,348,665	3.32	1,429,966	2.20
William George Westwater	679,332	1.67	679,332	1.04
Stephen Derek Jenkins	50,833	0.12	50,833	0.08
David Christopher Hanson*	366,498	0.90	366,498	0.56
Charles Stephen Winward**	6,499	0.02	6,499	0.01

* includes 83,332 Ordinary Shares held on trust for David Christopher Hanson's children

** held through IP2IPO Nominees Limited

6.1.2 Save as disclosed in this Part V, immediately following Admission no Director nor any member of a Director's family is expected to have any interest, beneficial or non-beneficial, in the share capital of the Company.

6.1.3 Save for the Directors and their connected persons (within the meaning of section 252 of the Act), at the date of this document and immediately following the Placing, so far as the Directors are aware, no person is directly or indirectly interested in more than 3 per cent. of the issued Ordinary Shares other than as set out below:

Shareholders	Prior to the Placing and Admission		Immediately following the Placing and Admission	
	Number of Ordinary Shares	Percentage of issued share capital	Number of Ordinary Shares	Percentage of Enlarged Share Capital
Invesco	11,034,999	27.12	17,620,365	27.08
IP Group*	9,247,831	22.73	12,093,359	18.59
Entrepreneurs Fund LP	6,130,833	15.07	7,350,345	11.30
Park Walk Advisors Funds**	2,214,498	5.44	3,267,998	5.03
Thomas Bannatyne	1,471,666	3.62	1,674,832	2.58
Finance Yorkshire Seedcorn LP	1,639,999	4.04	2,249,665	3.46
RisingStars Growth Fund II	2,798,999	6.88	2,798,999	4.31
Ballie Gifford	–	–	3,600,000	5.54
Sandaire Asset Management	–	–	2,000,000	3.08

* held through IP2IPO Limited, Techtran Group Limited and IP Venture Fund

** held through Reyker Nominees Limited and Share Nominees Limited

The figures relating to the percentage of the Enlarged Share Capital are based on the assumption that all of the Placing Shares are subscribed for under the Placing.

6.1.4 Save as described above, the Directors are not aware of any person who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company. None of the persons listed above as Shareholders has voting rights which are different from the voting rights of other holders of Ordinary Shares.

6.2 Directors' remuneration and service agreements.

6.2.1 The Directors have the following service contracts or letters of appointment with the Company:

(a) Chris Hanson

A service agreement dated 18 March 2014 between the Company and Chris Hanson under which the executive is employed as Finance Director at a salary of £150,000 per annum together with the following benefits: Life insurance and private medical insurance (to cover the executive and his dependents). The service agreement is terminable on six months written notice by either party. The executive is subject to non-compete covenants for a period of six months and non-solicitation covenants for a period of 12 months following the termination of the service agreement and confidentiality undertakings. The service agreement provides for an annual discretionary bonus.

(b) Steve Jenkins

A service agreement dated 18 March 2014 between the Company and Steve Jenkins under which the executive is employed as Chief Science Officer at a salary of £140,000 per annum together with the following benefits: Life insurance and private medical insurance (to cover the executive and his dependents). The service agreement is terminable on six months written notice by either party. The executive is subject to non-compete covenants for a period of six months and non-solicitation covenants for a period of 12 months following the termination of the service agreement and confidentiality undertakings. The service agreement provides for an annual discretionary bonus.

(c) Bill Westwater

A service agreement dated 18 March 2014 between the Company and Bill Westwater under which the executive is employed as Chief Executive Officer at a salary of £230,000 per annum together with the following benefits: Life insurance and private medical insurance (to cover the executive and his dependents). The service agreement is terminable on six months written notice by either party. The executive is subject to non-compete covenants for a period of six months and non-solicitation covenants for a period of 12 months following the termination of the service agreement and confidentiality undertakings. The service agreement provides for an annual discretionary bonus.

(d) Maciek Drozd, John Samuel, Julian Viggars and Charles Winward

Each of the non-executive Directors was appointed by a letter of appointment dated 18 March 2014 which provides for remuneration of £10,000 per annum conditional on Admission (other than John Samuel whose remuneration will be £60,000 per annum) and is terminable on one month's written notice by either party. The non-executive Directors are subject to confidentiality undertakings.

6.2.2 Save as stated above, there are no service agreements existing or proposed between any of the Directors and the Company which are not terminable within six months by the Company without payment of compensation (other than statutory compensation).

6.3 Loans and guarantees

There are no loans or guarantees provided by any member of the Group for the benefit of any of the Directors nor are there any loans or guarantees provided by any of the Directors for any member of the Group.

6.4 Directors' interests in transactions

Save as disclosed in this document, no Director has or has had any interest in any transaction which is of an unusual nature, contains unusual terms or is significant in relation to the business of the Company and which was effected during the current or immediately preceding financial year or during any earlier financial year and remains in any respect outstanding or unperformed.

6.5 Directors' interests in assets

Save as disclosed in this document, no Director has or has had any interest, whether direct or indirect in any assets which have been acquired by, disposed of by, or leased to, any member of the Group or which are proposed to be acquired by, disposed of by, or leased to, any member of the Group.

6.6 Further information concerning Directors

6.6.1 Other than directorships of companies within the Group, the Directors hold, and have previously held during the five years preceding the date of this document, the following directorships or partnerships:

Name	Current Directorship or Partnership	Past Directorship or Partnership
Maciek Drozdz	Protaffin AG Sequana Medical AG Cytoo SA	None
David Christopher Hanson	MAC Healthcare Services	None
Stephen Derek Jenkins	None	None
John Andrew Walter Samuel	Tissue Regenix Group plc Frosunda Omsorg AB Vernacare Group Ltd	Mediq Ab
Julian George Viggars	Platform Diagnostics Limited Electro-Medical Limited Peckforton Pharmaceuticals Limited Blackley Holdings Limited Blackley (2010) Limited Enterprise Ventures (General Partner RisingStars) Limited Enterprise Ventures (General Partner RisingStars II) Limited Enterprise Ventures (General Partner FY Seedcorn) Limited Enterprise Ventures (General Partner NW Venture) Limited Frees Family Finance Limited	YuuGuu Limited YG Technologies Limited
William George Westwater	None	None
Charles Stephen Winward	IP Group plc 7 Lupus Street Management Limited IP2IPO Limited IP Venture Fund (GP) Limited North East Technology (GP) Limited Top Technology Ventures Limited TTV IV G.P. Limited IP Venture Fund II (GP) LLP Perpetuum Limited Plexus Planning Limited Retroscreen Virology Group plc Salunda Limited Tracsis PLC	

6.6.2 Save as disclosed above, none of the Directors has been a director of, or partner in, any company or partnership at any time in the previous five years. None of the Directors has any unspent convictions in respect of indictable offences. None of the Directors has been a bankrupt or entered into an individual voluntary arrangement. None of the Directors was a partner of any partnership at the time of or within 12 months preceding any compulsory liquidation, administration or partnership voluntary arrangement. None of the Directors has owned an asset over which a receiver has been appointed nor has any of the Directors been a partner in any partnership at the time of or within 12 months preceding receivership of any assets of the partnership.

6.6.3 There have been no public criticisms of any of the Directors by any statutory or regulatory authority (including recognised professional bodies) and none of the Directors 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.

6.6.4 Save as set out in this paragraph, none of the Directors was a director of any company at the time of or within 12 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.

- (a) Screen Technology Group plc (of which Chris Hanson was a director within the preceding 12 months) entered into administration in May 2009. Chris was appointed as a director (and CEO) in October 2008 to lead the turnaround of the business and resigned when it became apparent that this was not possible. The company entered into administration with a deficiency as regard creditors of £1,101,700.
- (b) John Brunton plc (of which Chris Hanson was a director at the time) was placed into administrative receivership in July 1993. Chris was seconded from KPMG LLP to the company and was appointed a director to assist with the turnaround of the business. When it became apparent that this was not possible, the Company was placed into administrative receivership owing approximately £935,000.
- (c) Protaffin AG (of which Maciek Drozd is currently a director) entered into voluntary liquidation in September 2013 after observing lower than anticipated functionality of a drug candidate under development and higher than anticipated toxicity.

7. Share Option Arrangements

7.1 Old Option Schemes

There are 14 individuals who were originally granted options to subscribe for shares in Xeros Limited under the Old EMI Scheme. In addition, three individuals had been granted options to subscribe for shares in Xeros Limited under the Old Unapproved Scheme. As part of the re-organisation of the Group in preparation for Admission, these options (“Old Options”) are to be replaced with corresponding options over Ordinary Shares of an equivalent value (“Replacement Options”).

The Replacement Options will be granted on identical terms to the Old Options and can be exercised provided that an individual is still employed at the date on which that Replacement Option vests (which varies between option holders based on the terms of their individual option agreements). There are no performance conditions attached to the exercise of Replacement Options.

Details of the Directors interests in Replacement Options are set out below. In addition, Replacement Options will be granted over 1,337,667 Ordinary Shares to other employees and consultants of the Group.

Name	Number of Ordinary Shares under Old Options	Exercise price per Ordinary Share (£)	Vested options on Admission	Final vesting date
Chris Hanson	891,500	0.12	297,166	4 March 2016
Bill Westwater	1,667,833	0.11 to 0.16	1,163,833	4 March 2016
Steve Jenkins	1,012,833	0.11 to 0.16	756,167	4 March 2016

7.2 New Option Schemes

In addition to the unexercised options granted under the Old Option Schemes, the Company intends to grant nominal cost options under the New Option Schemes over Ordinary Shares with a value of £1.75 million, based on the Placing Price.

These initial awards under the New Option Schemes will be subject to performance conditions on exercise relating to increases in the Company’s share price.

Initial awards under the New Option Schemes will be made by a remuneration committee on or immediately prior to Admission. Going forward, the remuneration committee will assume responsibility for the operation of the New Option Schemes.

7.2.1 Types of award and satisfaction of awards

The remuneration committee may grant share options over Ordinary Shares (each an “Award”) to eligible employees under the New EMI Scheme, or to participants under the New Unapproved Scheme.

It is intended that Awards under the New Option Schemes will be satisfied by the new issue of Ordinary Shares with the exercise price determined by the remuneration committee (but such exercise price shall not be lower than the nominal value of an Ordinary Shares in the case of an option to subscribe for new shares). Initial Awards made on or immediately prior to Admission to Directors under the New Option Schemes will have an exercise price set at the nominal value of an Ordinary Share.

7.2.2 Eligibility

The remuneration committee will have the discretion to select the participants in the New Option Scheme from the directors or eligible employees of the Company. Options can be granted under the New Unapproved Scheme to non-employees and consultants, as well as employees or executive directors.

7.2.3 Timing of Awards

It is intended that the Board will issue new Awards on or immediately prior to Admission and, thereafter, Awards may be issued at such other times as the remuneration committee may determine.

7.2.4 Limits on the grant of Awards

An Award may not be made under the New Option Schemes if the result of making the Award would be that the aggregate number of Ordinary Shares issued or committed to be issued under Awards under the New Option Schemes or under option or awards made in the preceding ten year period under all other share incentive schemes adopted by the Group (including the DAB) would exceed 15 per cent. of the Company's issued ordinary share capital at that time. This limit includes any Awards which have been exercised but excludes any Awards which have lapsed and for these purposes any Replacement Options which were granted under the Old Option Schemes are excluded.

Awards made prior to Admission under the Old Option Schemes do not count towards the 15 per cent. limit.

7.2.5 Conditions attaching to Admission Awards

The vesting of the following Awards granted under the New Option Schemes immediately prior to Admission will be subject to performance conditions linked to share price targets.

	Placing Price value of Award	Performance target
Bill Westwater	£250,000	50% increase in share price from Placing Price
	£250,000	100% increase in share price from Placing Price
	£250,000	150% increase in share price from Placing Price
Chris Hanson	£166,666	50% increase in share price from Placing Price
	£166,667	100% increase in share price from Placing Price
	£166,667	150% increase in share price from Placing Price
Steve Jenkins	£133,333	50% increase in share price from Placing Price
	£133,333	100% increase in share price from Placing Price
	£133,334	150% increase in share price from Placing Price
John Samuel	£33,333	50% increase in share price from Placing Price
	£33,333	100% increase in share price from Placing Price
	£33,334	150% increase in share price from Placing Price

The share price targets must be maintained for at least 30 days during the vesting period of three years. This can be achieved at any point during the three year period from the date of grant.

When an Award vests it shall, subject to the rules of the New Option Schemes, be exercisable by the participant until the expiry of the tenth anniversary of the date of grant of the Award (or such earlier date as determined by the remuneration committee prior to the grant of the Award). If an Award does not vest in accordance with the rules of the New Option Schemes, it shall lapse.

An Award shall also lapse if a participant attempts to transfer, assign, charge or otherwise dispose of an Award.

7.2.6 Regulatory and tax issues on vesting

The option holders are liable to pay all income tax and employee national insurance (or overseas equivalent) that would arise on the exercise of any Awards.

An Award shall not vest unless the issue of Ordinary Shares on such vesting is lawful and in compliance with the AIM Rules, the Company's share dealing code and all other relevant regulations and enactments.

7.2.7 Leavers

An Award will lapse immediately on cessation of employment unless the participant is a "good leaver".

A good leaver is defined as an individual who ceases employment due to:

- death;
- disability, injury, ill health;
- redundancy (within the meaning of the Employment Rights Act 1996);
- retirement (at or beyond the age at which the individual is bound or entitled to retire under the terms of his employment); or
- any other reason at the discretion of the remuneration committee.

Where a participant is a good leaver any vested Award will continue to be exercisable for a period of 90 days (12 months in the case of death) and will lapse at the end of that period. The remuneration committee may extend this period at its discretion.

The remuneration committee may also determine that an unvested Award which has been granted to an individual who becomes a leaver may vest and be exercised prior to the lapse date, either in whole or in part, to the extent that they determine this is appropriate.

7.2.8 Corporate events

In the event of any person becoming bound or entitled to acquire Ordinary Shares by exercising rights of compulsory acquisition under sections 974 to 991 of the Act, the option holder shall be entitled to exercise his option at any time while that person remains bound or entitled and upon the date upon which such person ceases to be bound or entitled all the options if unexercised shall cease to be exercisable and shall lapse.

In addition, in the event of a resolution being passed for the winding up of the Company, the option holder shall be entitled at any time prior to the commencement of and conditional upon such winding up to exercise his option in whole or in part.

7.2.9 Adjustments of Awards

If there is a variation of the share capital of the Company (including a capitalisation or rights issue, subdivision, rights issue, consolidation or reduction of share capital), the remuneration committee may make such adjustments as it considers appropriate to the exercise price or number of shares in an Award.

7.2.10 Awards not pensionable

No Awards or benefits under the New Option Schemes are pensionable.

7.3 Deferred Annual Bonus

In addition to the New Option Schemes, the Company intends to implement a DAB plan for executive directors and other senior management on or immediately prior to Admission. The DAB also incorporates sub-plans for non-executive directors and US tax resident participants ("the Sub Plans"), which both reflect the key terms of the DAB.

Eligibility to participate in the DAB (or the Sub Plans) will be at the discretion of the remuneration committee and participation will be voluntary.

Participants will be given the opportunity to defer up to 50 per cent. of any gross cash annual bonus in exchange for nominal cost options ("the Deferred Award"), which can be exercised after 3 years (or earlier if the participant ceases employment).

In addition, the Company will match on a 2:1 basis subject to continued employment (“the Matching Award”) with a further nominal cost option, which can also normally be exercised after three years from the date of award. (Deferred Awards and Matching Awards are collectively defined as “DAB Awards”).

It is not proposed that there shall be any performance conditions attaching to the Deferred Award, however the vesting of the Matching Award will be subject to attainment of one or more performance conditions.

7.3.1 Types of DAB Award and satisfaction of DAB Awards

The remuneration committee will grant nominal cost options over Ordinary Shares to participants in the DAB plan. Options will normally be capable of exercise for a period of 12 months after the vesting date of an award.

The remuneration committee may choose to make DAB Awards in the form of conditional awards of shares and may also request that DAB Awards are satisfied by an employee benefit trust. Where DAB Awards are not granted as share options, shares shall be transferred as soon as possible after vesting to participants.

The remuneration committee may also choose to satisfy awards made under the DAB (or the Sub-Plans) in cash, rather than shares, where it considers that it may be beneficial to do so from a tax, legal or regulatory perspective.

7.3.2 Timing of DAB Awards

It is intended that the remuneration committee will invite selected individuals to participate in the DAB when they are notified of their annual bonus for the year. There will initially be no mandatory requirement to invest in a Deferred Award, although the remuneration committee will review this policy for future Deferred Awards.

7.3.3 Limits on the grant of DAB Awards

A DAB Award may not be made if the result of making the Award would be that the aggregate number of Ordinary Shares issued or committed to be issued under Awards under the DAB or under option or awards made in the preceding ten year period under all other share incentive schemes adopted by the Group (including the New Option Schemes) would exceed 15 per cent. of the Company’s issued ordinary share capital at that time. This limit includes any Deferred Awards or Matching Awards which have been exercised but excludes any lapsed DAB Awards. For these purposes any Replacement Options which were granted under the Old Option Schemes are excluded.

7.3.4 Conditions attaching to DAB Awards

The remuneration committee will assess performance over a broad range of measures and annual bonuses will be awarded at their discretion.

However, whilst there shall not be any performance conditions attaching to the Deferred Awards, the vesting of the Matching Award will be subject to attainment of one or more performance conditions. The remuneration committee will determine the appropriate performance conditions for Matching Awards on an annual basis.

7.3.5 Regulatory and tax issues on vesting

The participants are liable to pay all income tax and employee national insurance (or overseas equivalent) that would arise on the exercise of any DAB Awards.

A DAB Award shall not vest unless the issue of Ordinary Shares on such vesting is lawful and in compliance with the AIM Rules, the Company’s share dealing code and all other relevant regulations and enactments.

7.3.6 Vesting of DAB Awards

Both the Deferred Award and the Matching Award will vest on the third anniversary of the date of award, or earlier on cessation of employment in certain circumstances.

Awards structured as nil-cost options will normally be capable of exercise for a period of 12 months after the vesting date.

7.3.7 Leavers

The Deferred Award will lapse in the event that the participant ceases employment due to gross misconduct. Where a participant ceases employment for any other reason, the Deferred Award will vest and be capable of exercise for three months from the date of cessation.

The Matching Award will lapse on cessation of employment within three years from the date of Award unless the participant is a “good leaver” in which case the Award will vest on a pro-rata basis (or to such greater proportion at the discretion of the remuneration committee) and will be capable of exercise by the participant (or their personal representative) for a period of three months from the date of cessation of employment.

A good leaver is defined as an individual who ceases employment due to:

- death;
- disability, injury, ill health;
- redundancy (within the meaning of the Employment Rights Act 1996);
- retirement (at or beyond the age at which the individual is bound or entitled to retire under the terms of his employment); or
- any other reason at the discretion of the remuneration committee.

7.3.8 Corporate events

In the event of any person becoming bound or entitled to acquire Ordinary Shares by exercising rights of compulsory acquisition under sections 974 to 991 of the Act, a Deferred Award and a Matching Award shall vest in full and (in the case of a nominal cost option) a participant shall be entitled to exercise his option at any time while that person remains bound or entitled and upon the date upon which such person ceases to be bound or entitled all the award if unexercised shall cease to be exercisable and shall lapse.

In addition, in the event of a resolution being passed for the winding up of the Company, an award shall vest in full and (in the case of a nominal cost option) the participant shall be entitled at any time prior to the commencement of and conditional upon such winding up to exercise his option in whole or in part.

7.3.9 Adjustments of Awards and alterations to the DAB

If there is a variation of the share capital of the Company (including a capitalisation or rights issue, subdivision, rights issue, consolidation or reduction of share capital), the remuneration committee may make such adjustments as it considers appropriate to the exercise price or number of shares under the DAB.

7.3.10 Awards not pensionable

No Awards or benefits under the DAB are pensionable.

8. Remuneration of key personnel

The remuneration of the Directors during the six months ended 31 January 2014, who are the key management personnel, is shown below

Executive Directors – aggregate	£
Salaries	289,646
Non-executive Directors – aggregate	
Salaries and fees	10,000
Payments to third parties	15,000
	<hr/>
Total Directors’ remuneration	314,646
	<hr/> <hr/>

9. Lock-in and Orderly Market Agreement

The Locked-in Shareholders have entered into lock-in and orderly market agreements with the Company and Jefferies, the terms of which are more particularly described in paragraph 13.4 of this Part V.

10. Working Capital

In the opinion of the Directors, having made due and careful enquiry, the working capital available to the Group, after taking into account the estimated net proceeds of the Placing, will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

11. Litigation

Neither the Company nor any member of the Group is, nor has at any time in the 12 months immediately preceding the date of this document been, involved in any governmental, legal or arbitration proceedings, and the Company is not aware of any governmental, legal or arbitration proceedings pending or threatened by or against the Company or any member of the Group, nor of any such proceedings having been pending or threatened at any time in the 12 months immediately preceding the date of this document, in each case which may have, or have had in the recent past, a significant effect on the Company's or the Group's financial position or profitability.

12. Employees

The table below sets out the number of persons employed by either the Company or its subsidiaries as at 31 January 2014 (including consultants).

Name	Total	Operations	Administration	Sales and Marketing
Xeros Limited	35	25	7	3
Xeros Inc	8	3	2	3

13. Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company or Xeros Limited during the two years immediately preceding the date of this document and contain any provision under which any member of the Group has any obligation or entitlement which is material at the date of this document:

- 13.1 By an agreement (being the Placing Agreement) dated the same date as this document and made between (1) the Company, (2) Xeros Limited, (3) the Directors and (4) Jefferies, Jefferies has agreed, subject to the fulfillment of certain conditions, to use reasonable endeavours to procure subscribers for the Placing Shares, at the Placing Price and, to the extent that it is unable to secure such subscribers to subscribe those Ordinary Shares itself. Such conditions include Admission taking place not later than 8.00 am on 25 March 2014 (or such later date as the Company and Jefferies may agree, but in any event not later than 1 April 2014).

Subject to the terms and conditions of the Placing Agreement, the Company will pay Jefferies, in aggregate and exclusive of VAT, £1,200,000 in respect of advisory fees and commission relating to the Placing. The Company may also pay an additional discretionary commission of up to 1 per cent. of the gross proceeds attributable to the Placing Shares.

The Company, Xeros Limited and the Directors have each given warranties in favour of Jefferies. The Company has agreed to pay all costs, charges and expenses of, or incidental to, the Placing and the application for Admission and related arrangements.

Jefferies may terminate the Placing Agreement in specified circumstances, including for breach of warranty at any time prior to Admission and in the event of force majeure at any time prior to Admission.

Under the Placing Agreement the Directors (holding 2,533,128 Ordinary Shares in aggregate, representing 3.9 per cent. of the Ordinary Shares in issue upon Admission) have agreed (subject to certain limited exceptions) not to dispose of any Ordinary Shares in which they are interested following Admission, without the prior consent of Jefferies, for a period of one year from the date of this Agreement.

In order to protect the Company's EIS status 8,148 C1 Ordinary Shares and 3,658 C Ordinary Shares were issued by the Company to certain subscribers on 18 March 2014 at a price which equates to the Placing Price upon conversion into Ordinary Shares. The issue of the such C1 Ordinary Shares (which will convert into 1,967,665 Ordinary Shares in aggregate on Admission) was not conditional upon Admission or undertaken pursuant to the terms of the Placing Agreement.

- 13.2 A nominated advisor and broker engagement letter dated 19 March 2014 between (1) the Company and (2) Jefferies pursuant to which the Company has appointed Jefferies to act as nominated advisor and broker to the Company for the purposes of the AIM Rules, commencing with effect from Admission and continuing thereafter. The Company has agreed to pay Jefferies a fee of £62,500 per annum for its services as nominated advisor and broker under this agreement. The agreement contains certain undertakings and indemnities given by the Company in respect of, *inter alia*, compliance with all applicable laws and regulations. The appointment under the engagement letter as nominated advisor and broker is subject to termination on the giving of not less than six week's written notice by either party. In certain circumstances Jefferies can terminate its appointment with immediate effect.

- 13.3 A share for share exchange agreement dated 17 March 2014 and made between the Company and all the shareholders of Xeros Limited (the “Transferors”) whereby the Transferors agreed to transfer their shares in Xeros Limited to the Company in consideration for the allotment and issue of Xeros Ordinary Shares, A Ordinary Shares, B Ordinary Shares, C Ordinary Shares and C1 Ordinary Shares.
- 13.4 The Locked-in Shareholders have entered into lock-in and orderly market agreements with Jefferies and the Company. The agreements provide that the Locked-in Shareholders (other than Invesco) shall not dispose of Ordinary Shares in the Company held by them for a period of 12 months from the date of Admission subject to certain exceptions. The Locked-in Shareholders have also agreed that for the period of 12 months following the expiry of the period referred to above, any disposal of Ordinary Shares held by them is, subject to certain exceptions, effected through Jefferies. Invesco has agreed to such arrangements for a period of six months from the date of Admission and for a further six months thereafter respectively.
- 13.5 On 4 March 2013, Xeros Limited and the shareholders of the Company entered into an investment agreement relating to the operations of the Group, such agreement contains restrictions on the actions of the Group unless the consent of certain shareholders is obtained. On 18 March 2014, the Company and the shareholders of Xeros Limited entered into an agreement terminating the agreement referred to in this paragraph 13.5 subject to Admission taking place.

14. Transactions with shareholders

The amounts invoiced by Shareholders and other related parties to the Group during the six months ended 31 January 2014 (including VAT) were as follows:

	£
The University of Leeds and its associated companies (The University of Leeds Consulting Limited, The University of Leeds IP Limited and Leeds Innovation Centre Limited)	
Laboratory costs	756
Techtran Group Limited and its associated companies (IP2IPO Limited and Top Technology Ventures Limited)	
Director’s fees for Mr C Winward	6,000
Enterprise Ventures Limited	
Director’s fees for Mr J Viggars	6,000
Entrepreneurs Fund Management LLP	
Director’s fees for Mr D Brenninkmeijer/Mr M Drozd	6,000

15. Related Party Transactions

Save as set out in Part III and paragraphs 8 and 14 of this Part V there are no related party transactions that the Group has entered into during the period covered by the historical financial information set out in Part III up to the date of this document.

16. General

- 16.1 The accounting reference date of the Company is 31 July.
- 16.2 KPMG LLP has given and not withdrawn its written consent to the inclusion in this document of its report as set out in Section A of Part III of this document and to the issue of this document with the inclusion of its name and the references to its name in the form and context in which it appears. KPMG LLP is a member of the Institute of Chartered Accountants in England and Wales.
- 16.3 Jefferies has given and not withdrawn its written consent to the issue of this document with the inclusion of its name and the references to its name in the form and context in which it appears. Jefferies, which is regulated by the Financial Conduct Authority, has its registered office at Vintners Place, 68 Upper Thames Street, London EC4V 3BJ.
- 16.4 The estimated amount of the expenses of the Placing and Admission, including registration and London Stock Exchange fees, printing, advertising and distribution costs, legal and accounting fees and expenses, which are all payable by the Company is £1.69 million exclusive of VAT.

- 16.5 The net proceeds of the Placing are estimated at approximately £25.793 million.
- 16.6 The financial information contained in this document does not constitute full statutory accounts as referred to in Section 240 of the Act. No further statements or accounts have been prepared nor delivered to the Registrar of Companies for the Company.
- 16.7 Other than the decrease in cash balances over the period, there has been no significant change in the financial or trading position of the Company or the Group since 31 July 2013, being the date on which the report contained in Part III of this document was made up.
- 16.8 Save in connection with the application for Admission, none of the Existing Ordinary Shares and/or the Placing Shares have been admitted to dealings on any recognised investment exchange and no application for such admission has been made and it is not intended to make any other arrangements for dealings in such shares on any such exchange.
- 16.9 Save as disclosed in this document no person (other than the professional advisors referred to in this document and trade suppliers) has received, directly or indirectly, from the Company within 12 months preceding the date of this document or entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission, fees totalling £10,000 or more or securities in the Company with a value of £10,000 or more, calculated by reference to the Placing Price, or any other benefit with a value of £10,000 or more at the date of Admission.
- 16.10 Save as disclosed in this document, there are no Group investments in progress which are or may be significant.
- 16.11 Monies received from applicants pursuant to the Placing will be held in accordance with the terms of the placing letters or contract notes which incorporate the terms set out in Part VI of this document (as applicable) issued by Jefferies until such time as the Placing Agreement becomes unconditional in all respects. If the Placing Agreement does not become unconditional in all respects by 1 April 2014 application monies will be returned to applicants at their risk without interest.
- 16.12 The Ordinary Shares have not been sold, nor are they available, in whole or in part, to the public in conjunction with the application for Admission.
- 16.13 Save as disclosed in this document, no payment (including commissions) discounts, brokerages or other special terms has been or is to be paid or given to any promoter of the Company or granted in connection with the issue or sale of any share or loan capital of the Company.
- 16.14 There are no arrangements in place under which further dividends are to be waived or agreed to be waived.
- 16.15 Where information in this document has been sourced from a third party this information has been accurately reproduced. So far as the Company and the Directors are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

17. Availability of Admission Document

Copies of this document are available during normal business hours on any weekday (Saturdays and public holidays excepted) free of charge from the Company's registered office, at the office of Jefferies International Limited for a period of one month after Admission and may also be downloaded from the Company's website.

19 March 2014

PART VI

TERMS AND CONDITIONS OF APPLICATION UNDER THE PLACING

1. *Introduction*

Each Placee which confirms its agreement to Jefferies to subscribe for Ordinary Shares under the Placing will be bound by these terms and conditions and will be deemed to have accepted them.

The Company and/or Jefferies may require any Placee to agree to such further terms and/or conditions and/or give such additional warranties and/or representations as it (in its absolute discretion) sees fit and/or may require any such Placee to execute a separate placing letter (a "**Placing Letter**").

2. *Agreement to Purchase Ordinary Shares*

Conditional on: (i) Admission occurring and becoming effective on or prior to 8.00 am on 25 March 2014 (or such later time and/or date, not being later than to 1 April 2014, as the Company and Jefferies may agree); (ii) the Placing Agreement becoming otherwise unconditional in all respects and not having been terminated on or before Admission; and (iii) Jefferies confirming to the Placees their allocation of Ordinary Shares, a Placee agrees to become a member of the Company and agrees to subscribe for those Ordinary Shares allocated to it by Jefferies at the Placing Price. To the fullest extent permitted by law, each Placee acknowledges and agrees that it will not be entitled to exercise any remedy of rescission at any time. This does not affect any other rights the Placee may have.

3. *Payment for Ordinary Shares*

Each Placee undertakes to pay the Placing Price for the Ordinary Shares issued to the Placee in the manner and by the time directed by Jefferies. In the event of any failure by any Placee to pay as so directed and/or by the time required by Jefferies, the relevant Placee shall be deemed hereby to have appointed Jefferies or any nominee of Jefferies as its agent to use its reasonable endeavours to sell (in one or more transactions) any or all of the Ordinary Shares in respect of which payment shall not have been made as directed, and to indemnify Jefferies and its respective affiliates on demand in respect of any liability for stamp duty and/or stamp duty reserve tax or any other liability whatsoever arising in respect of any such sale or sales. A sale of all or any of such Ordinary Shares shall not release the relevant Placee from the obligation to make such payment for relevant Ordinary Shares to the extent that Jefferies or its nominee has failed to sell such Ordinary Shares at a consideration which, after deduction of the expenses of such sale and payment of stamp duty and/or stamp duty reserve tax as aforementioned, exceeds the Placing Price per Ordinary Share.

4. *Representations and Warranties*

By agreeing to subscribe for Ordinary Shares, each Placee which enters into a commitment to subscribe for Ordinary Shares will (for itself and for any person(s) procured by it to subscribe for Ordinary Shares and any nominee(s) for any such person(s)) be deemed to undertake, represent and warrant to each of the Company and Jefferies that:

- (a) in agreeing to subscribe for Ordinary Shares under the Placing, it is relying solely on this document and any supplementary admission document issued by the Company and not on any other information given, or representation or statement made at any time, by any person concerning the Company, the Ordinary Shares, the Placing or Admission. It agrees that neither the Company nor Jefferies, nor any of their respective officers, agents, employees or affiliates, will have any liability for any other information or representation. It irrevocably and unconditionally waives any rights it may have in respect of any other information or representation;
- (b) if the laws of any territory or jurisdiction outside the United Kingdom are applicable to its agreement to subscribe for Ordinary Shares under the Placing, it warrants that it has complied with all such laws, obtained all governmental and other consents which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with its application in any territory and that it has not taken any action or omitted to take any action which will result in the Company or Jefferies or any of their respective officers, agents, employees or affiliates acting in breach of the regulatory or legal requirements, directly or indirectly, of any territory or jurisdiction outside the United Kingdom in connection with the Placing;
- (c) it has carefully read and understands this document in its entirety and acknowledges that it is acquiring Ordinary Shares on the terms and subject to the conditions set out in this Part VI and the Articles;

- (d) it has not relied on Jefferies or any person affiliated with Jefferies in connection with any investigation of the accuracy of any information contained in this document;
- (e) it acknowledges that the content of this document is exclusively the responsibility of the Company and its Directors and neither Jefferies nor any person acting on its behalf nor any of its affiliates are responsible for or shall have any liability for any information, representation or statement contained in this document or any information published by or on behalf of the Company and will not be liable for any decision by a Placee to participate in the Placing based on any information, representation or statement contained in this document or otherwise;
- (f) it acknowledges that no person is authorised in connection with the Placing to give any information or make any representation other than as contained in this document and, if given or made, any information or representation must not be relied upon as having been authorised by Jefferies or the Company;
- (g) it is not applying as, nor is it applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 67, 70, 93 or 96 (depository receipts and clearance services) of the Finance Act 1986;
- (h) it accepts that none of the Ordinary Shares have been or will be registered under the laws of any Excluded Territory. Accordingly, the Ordinary Shares may not be offered, sold, issued or delivered, directly or indirectly, within any Excluded Territory unless an exemption from any registration requirement is available;
- (i) if it is within the United Kingdom, it is a person who falls within Articles 49 or 19(5) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 or is a person to whom the Ordinary Shares may otherwise lawfully be offered under such Order, or, if it is receiving the offer in circumstances under which the laws or regulations of a jurisdiction other than the United Kingdom would apply, that it is a person to whom the Ordinary Shares may be lawfully offered under that other jurisdiction's laws and regulations;
- (j) if it is a resident in the EEA States, it is a qualified investor within the meaning of the law in the relevant EEA State implementing Article 2(1)(e)(i), (ii) or (iii) of the Prospectus Directive;
- (k) in the case of any Ordinary Shares acquired by an investor as a financial intermediary within the meaning of the law in the relevant EEA State implementing Article 2(1)(e)(i), (ii) or (iii) of the Prospectus Directive; (i) the Ordinary Shares acquired by it in the Placing have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any relevant EEA State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of Jefferies has been given to the offer or resale; or (ii) where Ordinary Shares have been acquired by it on behalf of persons in any relevant EEA State other than qualified investors, the offer of those Ordinary Shares to it is not treated under the Prospectus Directive as having been made to such persons;
- (l) Neither this document nor any other offering, marketing or other material in connection with the Placing constitutes an invitation, offer or promotion to, or arrangement with, it or any person whom it is procuring to subscribe for Ordinary Shares pursuant to the Placing unless, in the relevant territory, such offer, invitation or other course of conduct could lawfully be made to it or such person and such documents or materials could lawfully be provided to it or such person and Ordinary Shares could lawfully be distributed to and subscribed and held by it or such person without compliance with any unfulfilled approval, registration or other regulatory or legal requirements;
- (m) it does not have a registered address in, and is not a citizen, resident or national of, any jurisdiction in which it is unlawful to make or accept an offer of the Ordinary Shares and it is not acting on a non-discretionary basis for any such person;
- (n) if the investor is a natural person, such investor is not under the age of majority (18 years of age in the United Kingdom) on the date of such investor's agreement to subscribe for Ordinary Shares under the Placing and will not be any such person on the date any such Placing is accepted;
- (o) it has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this document or any other offering materials concerning the Placing or the Ordinary Shares to any persons within the United States or to any US Persons, nor will it do any of the foregoing;
- (p) it acknowledges that none of Jefferies nor any of their respective affiliates nor any person acting on its or their behalf is making any recommendations to it, advising it regarding the suitability of any transactions it may enter into in connection with the Placing or providing any advice in relation to the Placing and

participation in the Placing is on the basis that it is not and will not be a client of Jefferies and that Jefferies does not have any duties or responsibilities to it for providing protection afforded to their respective clients or for providing advice in relation to the Placing nor, if applicable, in respect of any representations, warranties, undertaking or indemnities contained in the Placing Letter;

- (q) that, save in the event of fraud on the part of Jefferies, none of Jefferies, its ultimate holding companies nor any direct or indirect subsidiary undertakings of such holding companies, nor any of their respective directors, members, partners, officers and employees shall be responsible or liable to a Placee or any of its clients for any matter arising out of Jefferies' role as nominated advisor, broker and financial advisor or otherwise in connection with the Placing and that where any such responsibility or liability nevertheless arises as a matter of law the Placee and, if relevant, its clients, will immediately waive any claim against any of such persons which the Placee or any of its clients may have in respect thereof;
- (r) it acknowledges that where it is subscribing for Ordinary Shares for one or more managed, discretionary or advisory accounts, it is authorised in writing for each such account: (i) to subscribe for the Ordinary Shares for each such account; (ii) to make on each such account's behalf the representations, warranties and agreements set out in this document; and (iii) to receive on behalf of each such account any documentation relating to the Placing in the form provided by the Company and/or Jefferies. It agrees that the provision of this paragraph shall survive any resale of the Ordinary Shares by or on behalf of any such account;
- (s) it irrevocably appoints any Director of the Company and any director of Jefferies to be its agent and on its behalf (without any obligation or duty to do so), to sign, execute and deliver any documents and do all acts, matters and things as may be necessary for, or incidental to, its subscription for all or any of the Ordinary Shares for which it has given a commitment under the Placing, in the event of its own failure to do so;
- (t) it accepts that if the Placing does not proceed or the relevant conditions to the Placing Agreement are not satisfied or the Ordinary Shares for which valid application are received and accepted are not admitted to listing on AIM for any reason whatsoever then none of Jefferies or the Company, nor persons controlling, controlled by or under common control with any of them nor any of their respective employees, agents, officers, members, stockholders, partners or representatives, shall have any liability whatsoever to it or any other person;
- (u) in connection with its participation in the Placing it has observed all relevant legislation and regulations, in particular (but without limitation) those relating to money laundering ("**Money Laundering Legislation**") and that its application is only made on the basis that it accepts full responsibility for any requirement to verify the identity of its clients and other persons in respect of whom it has applied. In addition, it warrants that it is a person: (i) subject to the Money Laundering Regulations 2007 in force in the United Kingdom; or (ii) subject to the Money Laundering Directive (2005/60/EC of the European Parliament and of the EC Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing); or (iii) acting in the course of a business in relation to which an overseas regulatory authority exercises regulatory functions and is based or incorporated in, or formed under the law of, a country in which there are in force provisions at least equivalent to those required by the Money Laundering Directive;
- (v) it acknowledges that due to anti-money laundering requirements, Jefferies and the Company may require proof of identity and verification of the source of the payment before the application can be processed and that, in the event of delay or failure by the applicant to produce any information required for verification purposes, Jefferies and the Company may refuse to accept the application and the subscription monies relating thereto. It holds harmless and will indemnify Jefferies and the Company against any liability, loss or cost ensuing due to the failure to process such application, if such information as has been requested has not been provided by it in a timely manner;
- (w) that they are aware of, have complied with and will at all times comply with their obligations in connection with money laundering under the Proceeds of Crime Act 2002;
- (x) it acknowledges and agrees that information provided by it to the Company and the Company's registrars, Neville Registrars Limited (the "**Registrars**") will be stored on the Company's and/or the Registrars computer system(s). It acknowledges and agrees that for the purposes of the Data Protection Act 1998 (the "**Data Protection Law**") and other relevant data protection legislation which may be applicable, the Company and the Registrars is required to specify the purposes for which it will hold personal data. The Company and the Registrars will only use such information for the purposes set out below (collectively, the "**Purposes**"), being to:

- (i) process its personal data (including sensitive personal data) as required by or in connection with its holding of Ordinary Shares, including processing personal data in connection with credit and money laundering checks on it;
- (ii) communicate with it as necessary in connection with its affairs and generally in connection with its holding of Ordinary Shares;
- (iii) provide personal data to such third parties as the Company or the Registrars may consider necessary in connection with its affairs and generally in connection with its holding of Ordinary Shares or as the Data Protection Law may require, including to third parties outside the United Kingdom or the European Economic Area;
- (iv) without limitation, provide such personal data to the Company or Jefferies and their respective Associates for processing, notwithstanding that any such party may be outside the United Kingdom or the EEA States; and
- (v) process its personal data for the Company's or Registrars' internal administration;
- (y) in providing the Registrars and the Company with information, it hereby represents and warrants to the Registrars and the Company that it has obtained the consent of any data subjects to the Registrars and the Company and their respective associates holding and using their personal data for the Purposes (including the explicit consent of the data subjects for the processing of any sensitive personal data for the purpose set out in paragraph (x) above). For the purposes of this document, "data subject", "personal data" and "sensitive personal data" shall have the meanings attributed to them in the Data Protection Law;
- (z) Jefferies and the Company are entitled to exercise any of their rights under the Placing Agreement or any other right in their absolute discretion without any liability whatsoever to them;
- (aa) the representations, undertakings and warranties contained in this document are irrevocable. It acknowledges that Jefferies and the Company and their respective affiliates will rely upon the truth and accuracy of the foregoing representations and warranties and it agrees that if any of the representations or warranties made or deemed to have been made by its subscription of the Ordinary Shares are no longer accurate, it shall promptly notify Jefferies and the Company;
- (bb) where it or any person acting on behalf of it is dealing with Jefferies, any money held in an account with Jefferies on behalf of it and/or any person acting on behalf of it will not be treated as client money within the meaning of the relevant rules and regulations of the FCA which therefore will not require Jefferies to segregate such money, as that money will be held by Jefferies under a banking relationship and not as trustee;
- (cc) any of its clients, whether or not identified to Jefferies, will remain its sole responsibility and will not become clients of Jefferies for the purposes of the rules of the FCA or for the purposes of any other statutory or regulatory provision;
- (dd) it accepts that the allocation of Ordinary Shares shall be determined by Jefferies and the Company in their absolute discretion and that such persons may scale down any Placing commitments for this purpose on such basis as they may determine;
- (ee) time shall be of the essence as regards its obligations to settle payment for the Ordinary Shares and to comply with its other obligations under the Placing; and
- (ff) authorises Jefferies to deduct from the total amount subscribed under the Placing the aggregation commission (if any) (calculated at the rate agreed with the Company) payable on the number of Ordinary Shares allocated under the Placing.

5. United States Purchase and Transfer Restrictions

By participating in the Placing, each Placee acknowledges and agrees that it will (for itself and any person(s) procured by it to subscribe for Ordinary Shares and any nominee(s) for any such person(s)) be further deemed to represent and warrant to each of the Company and Jefferies that:

- (a) it is not a US Person, is not located within the United States, is acquiring the Ordinary Shares in an offshore transaction meeting the requirements of Regulation S and is not acquiring the Ordinary Shares for the account or benefit of a US Person;
- (b) it acknowledges that the Ordinary Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any State or other jurisdiction of the United States and may not be offered or sold in the United States or to, or for the account or benefit of, US Persons absent registration or an exemption from registration under the Securities Act;

- (c) unless the Company expressly consents in writing otherwise, no portion of the assets used to purchase, and no portion of the assets used to hold, the Ordinary Shares or any beneficial interest therein constitutes or will constitute the assets of: (i) an “employee benefit plan” as defined in Section 3(3) of ERISA that is subject to Title I of ERISA; (ii) a “plan” as defined in Section 4975 of the Internal Revenue Code, including an individual retirement account or other arrangement that is subject to Section 4975 of the Internal Revenue Code; or (iii) an entity which is deemed to hold the assets of any of the foregoing types of plans, accounts or arrangements that is subject to Title I of ERISA or Section 4975 of the Internal Revenue Code. In addition, if an investor is a governmental, church, non-US or other employee benefit plan that is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Title I of ERISA or Section 4975 of the Internal Revenue Code, its purchase, holding, and disposition of the Ordinary Shares must not constitute or result in a non-exempt violation of any such substantially similar law;
- (d) that if any Ordinary Shares offered and sold pursuant to Regulation S are issued in certificated form, then such certificates evidencing ownership will contain a legend substantially to the following effect unless otherwise determined by the Company in accordance with applicable law:

“THE SECURITIES OF THE COMPANY REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. ACCORDINGLY, THIS SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED, EXERCISED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, US PERSONS EXCEPT IN ACCORDANCE WITH THE SECURITIES ACT OR AN EXEMPTION THEREFROM AND IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS.”
- (e) if in the future the investor decides to offer, sell, transfer, assign or otherwise dispose of the Ordinary Shares, it will do so only in compliance with an exemption from the registration requirements of the Securities Act. It acknowledges that any sale, transfer, assignment, pledge or other disposal made other than in compliance with such laws and the above stated restrictions will be subject to the compulsory transfer provisions as provided in the Articles;
- (f) it is purchasing the Ordinary Shares for its own account or for one or more investment accounts for which it is acting as a fiduciary or agent, in each case for investment only, and not with a view to or for sale or other transfer in connection with any distribution of the Ordinary Shares in any manner that would violate the Securities Act or any other applicable securities laws;
- (g) it acknowledges that the Company reserves the right to make inquiries of any holder of the Ordinary Shares or interests therein at any time as to such person’s status under the US federal securities laws and to require any such person that has not satisfied the Company that holding by such person will not violate or require registration under the US securities laws to transfer such Ordinary Shares or interests in accordance with the Articles;
- (h) it acknowledges and understand the Company is required to comply with FATCA and that the Company will follow FATCA’s extensive reporting and withholding requirements. The Placee agrees to furnish any information and documents which the Company may from time to time request, including but not limited to information required under FATCA;
- (i) it is entitled to acquire the Ordinary Shares under the laws of all relevant jurisdictions which apply to it, it has fully observed all such laws and obtained all governmental and other consents which may be required thereunder and complied with all necessary formalities and it has paid all issue, transfer or other taxes due in connection with its acceptance in any jurisdiction of the Ordinary Shares and that it has not taken any action, or omitted to take any action, which may result in the Company, Jefferies or their respective directors, officers, agents, employees and advisors being in breach of the laws of any jurisdiction in connection with the Placing or its acceptance of participation in the Placing;
- (j) it has received, carefully read and understands this document, and has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this document or any other presentation or offering materials concerning the Ordinary Shares to or within the United States or to any US Persons, nor will it do any of the foregoing; and
- (k) if it is acquiring any Ordinary Shares as a fiduciary or agent for one or more accounts, the investor has sole investment discretion with respect to each such account and full power and authority to make such foregoing representations, warranties, acknowledgements and agreements on behalf of each such account.

6. Supply and Disclosure Of Information

If Jefferies, the Registrars or the Company or any of their agents request any information about a Placee's agreement to subscribe for Ordinary Shares under the Placing, such Placee must promptly disclose it to them.

7. Miscellaneous

The rights and remedies of Jefferies, the Registrars and the Company under these terms and conditions are in addition to any rights and remedies which would otherwise be available to each of them and the exercise or partial exercise of one will not prevent the exercise of others.

On application, if a Placee is an individual, that Placee may be asked to disclose in writing or orally, his nationality. If a Placee is a discretionary fund manager, that Placee may be asked to disclose in writing or orally the jurisdiction in which its funds are managed or owned. All documents provided in connection with the Placing will be sent at the Placee's risk. They may be returned by post to such Placee at the address notified by such Placee.

Each Placee agrees to be bound by the Articles once the Ordinary Shares, which the Placee has agreed to subscribe for pursuant to the Placing, have been acquired by the Placee. The contract to subscribe for Ordinary Shares under the Placing and the appointments and authorities mentioned in this document will be governed by, and construed in accordance with, the laws of England and Wales. For the exclusive benefit of Jefferies, the Company and the Registrars, each Placee irrevocably submits to the jurisdiction of the courts of England and Wales and waives any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum. This does not prevent an action being taken against Placee in any other jurisdiction.

In the case of a joint agreement to subscribe for Ordinary Shares under the Placing, references to a Placee in these terms and conditions are to each of the Placees who are a party to that joint agreement and their liability is joint and several.

Jefferies and the Company expressly reserve the right to modify the Placing (including, without limitation, their timetable and settlement) at any time before allocations are determined. The Placing is subject to the satisfaction of the conditions contained in the Placing Agreement and the Placing Agreement not having been terminated. Further details of the terms of the Placing Agreement are contained in paragraph 13.1 of Part V of this document.



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